Austria ... Sch. 20	Indonesia .. Rp 3100	Philippines . Pes. 20
Bahrain .. Din 0.650	Israel .. IS 3.50	Portugal Esc 100
Belgium ... BFr 45	Italy .. L 1600	S. Arabia Rls 6.00
Canada ... C$1.00	Japan ... Y600	Singapore S$ 4.10
Cyprus .. C£0.75	Jordan .. Fils 500	Spain .... Pta 125
Denmark . DKr 9.00	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Egypt .... E£1.50	Lebanon . £1 25.00	Sweden .. SKr 8.00
Finland .. Fmk 7.00	Luxembourg . LFr 45	Switzerland SFr 2.20
France .. FFr 6.50	Malaysia .. Rin 4.25	Taiwan ... NT $65
Germany . DM 2.20	Mexico .. Pes. 300	Tunisia .. Din 1.375
Greece .... Dr 80	Morocco .. Dh 6.00	Turkey .... L 350
Hong Kong . HK$ 12	Netherlands . Fl 3.00	U.A.E. ... Dh 6.50
India .... Rup. 15	Norway .. Nkr. 7.00	U.S.A. $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,145 Wednesday January 28 1987 D 8523 B

Islamic challenge to Turkey's European ambitions, Page 3

World news

Shultz rules out more arms for Iran

George Shultz, US Secretary of State, ruled out further US arms sales to Iran, saying that Tehran directly threatened US interests with its support for terrorism and its war against Iraq.

In a blunt assessment of US-Iran relations, Mr Shultz told the Senate Foreign Relations Committee that he looked to an "eventual improvement", providing Iran rejected "its bellicose and terrorist policies."

Mr Shultz, continuing to distance himself from the original White House decision to sell arms secretly to Iran, described it as a "limited exception to US policy" which had not worked. Page 5.

G5 warning

Italy and Canada have joined forces to issue a strong warning that they would be deeply offended if they are excluded from any discussions on currency instability which may be held between the Group of Five industrial nations. Page 2

Iran 'advancing'

Iran claimed to have advanced another mile along the road to Basra, inflicting heavy casualties. Iraq said it had wiped out an Iranian division. Renewed concern for Gulf shipping, Page 4

Palme suspects freed

Police hunting the killer of Swedish Prime Minister Olof Palme received a further blow when three Kurds linked to the murder were released after evidence against them collapsed in a Stockholm court.

Spanish bomb death

A man was killed and at least five other people were injured when a bomb exploded in a shop in the northern Spanish city of Pamplona, officials said. Meanwhile, Basque guerrillas detained in a Madrid police raid confessed they planned to blow up Spain's biggest shopping centre, a police spokesman said.

Aid workers held

Ten French aid workers abducted in Somalia last week are in the hands of a small guerrilla unit loosely allied with the rebel Somali National Movement, a Somali rebel source said.

Anti-smoking fines

Belgium is considering levying on-the-spot fines for smoking in "public places" including government buildings, hospitals, schools and universities. If implemented, the plans are likely to make the Belgian anti-smoking regime the toughest in Europe. Page 2

Machel 'sabotage'

Soviet Deputy Civil Aviation Minister Ivan Vasin told a news conference that sabotage caused the plane crash that killed Mozambican President Samora Machel last October and strongly suggested South Africa was involved.

Rotterdam protests

The port of Rotterdam, the world's biggest harbour, was hit by strikes again as 250 dock workers in the general cargo sector began the second week of labour action to protest at plans to cut jobs.

Teachers strike

French teachers staged a 24-hour strike to protest at government plans to increase disciplinary powers for school headmasters and to press their claims for increased wages.

Pro-Fatah rally

Hundreds of students at an-Najah University at Nablus, on the Israeli-occupied West Bank, demonstrated in support of the Fatah Palestinian guerrilla movement in defiance of warnings from Defence Minister Yitzhak Rabin.

Business summary

Wall St jumps to record 2,150

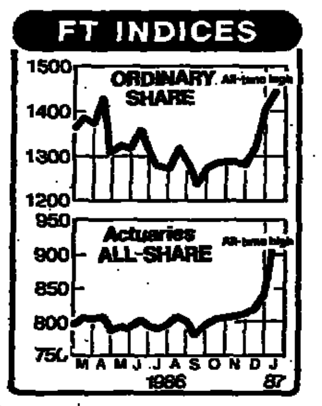
WALL STREET stocks closed sharply higher in active trading as investors regained the enthusiasm that fuelled the recent rally. The Dow Jones industrial average rose 43.17 points to a record 2150.45. Volume soared from 139m shares traded on Monday to 193m. Page 38

USX, the US steel and energy concern, reported a loss of $1.8bn for the year after a mammoth fourth-quarter write-down of $1.5bn. page 18

UK Government has put a 125p price tag on shares in British Airways which is being privatised. Page 18

NORFOLK Southern, big US transportation group, is considering entering the airline business and has made a bid for Piedmont Aviation, successful medium-sized US airline. Page 19

MOBIL, the US oil major, earned $201m in the fourth quarter on revenues of $12bn, against $425m on sales of $16.55bn last time. Chevron fell $86m into the red after taking a $316m write-off on oil and gas properties in the quarter.



LONDON: The stock market responded strongly to US buying interest and Wall Street's gains to post one of its highest daily advances on record. The FT Ordinary index closed up 30.4 at a record 1,425.9 and the FT-SE 100 index rose 32.6 to a record high of 1,814.4. Page 38

TOKYO: Financial stocks raced ahead pushing share prices to an all-time high for the fourth session in a row. The Nikkei average advanced 132.11 to 19,686.83. Page 38

DOLLAR closed in New York at DM 1.7975; SFr 1.5085; FFr 6.0110 and Y151.10. It fell in London to DM 1.8055 (DM 1.8230); to Y151.65 (Y152.65); to SFr 1.5155 (SFr 1.5315); and to FFr 6.0325 (FFr 6.0624). On Bank of England figures the dollar's exchange rate index fell from 104.3 to 103.8. Page 31

STERLING closed in New York at $1.5375. It rose in London to $1.5355 ($1.5280); but fell to DM 2.7725 (DM 2.7850); to Y232.75 (Y233.25); to SFr 2.3275 (SFr 2.3400); and to FFr 9.2625 (FFr 9.2950). The pound's exchange rate index remained unchanged at 68.8. Page 31

GOLD rose $4 to $411.15 on the London bullion market. It also rose in Zurich to $411.55 ($407.25). In New York the February Comex settlement was $415.70. Page 30

JAPANESE Ministry of Finance moved to bolster the corporate bond market by more than doubling the number of companies allowed to issue unsecured bonds. Page 23

HERO, Swiss foods group, has fended off a take-over bid by Jacobs-Suchard, Zurich coffee and chocolate concern. Page 22

PROCTER & GAMBLE, leading US detergent and personal products company, had net earnings of $190m in the December quarter, 15 per cent higher that the $165m recorded the year before. Page 19

FERMENTA, troubled Swedish antibiotics and animal health group, and Monsanto, US chemicals group, have called off the US concern's purchase of Fermenta's agrochemical operations. Page 19

FIAT GROUP, helped by a 20 per cent rise in car output last year, achieved a 12.4 per cent rise in consolidated operating profits. Page 20

KREMLIN LEADER COUPLES TURNING-POINT SPEECH WITH BITTER ATTACK ON BREZHNEV ERA

Gorbachev unveils plan for Soviet democratic reforms

BY PATRICK COCKBURN IN MOSCOW

THE CLIMAX of efforts by Mr Mikhail Gorbachev, the Soviet leader, to reform the way the Soviet Union governs itself and manages its economy, came yesterday at the long-postponed meeting of the Communist Party Central Committee in Moscow.

This was coupled with an impassioned assault on the rule of Mr Leonid Brezhnev, the former Kremlin leader, which he said was marked by decline and decay across the spectrum of national life.

The main theme of Mr Gorbachev's speech to the 307-member committee, the centre of political power in the Soviet Union to which all the most senior office holders belong, was that greater democracy ist a pre-condition of real change in the country.

Mr Gorbachev said the reforms under consideration would introduce direct elections by secret ballot for state and party posts, thereby transforming the system of rigid discipline and appointment from above which has been central to the way the Communist Party has ruled the Soviet Union since 1917.

"We are talking about a turning point and measures of a revolutionary character," Mr Gorbachev said, "We simply do not have any other choice. We must not retreat and do not have anywhere to retreat to."

> **'Disregard for laws, report padding, bribe-taking and the encouragement of toadyism and adulation had a deleterious effect on the moral atmosphere in society'**

A special party conference to discuss "greater democracy in the life of the party and society as a whole" will meet in 1988, the first such meeting since 1941.

Mr Gorbachev began his speech to the committee, the centre of political power in the Soviet Union, to which all senior office holders belong, by his strongest criticism yet of the way the Soviet Union was ruled by Mr Brezhnev, saying that the country had become completely stuck in a mould formed in the 1930s and 1940s.

During this period, he said, corruption had become commonplace at all levels and at the top senior officials "abused their authority, suppressed criticism, sought gain and some even became accomplices if not organisers of criminal activities." Mr Gorbachev added that in the Politburo and the top of Government the same people had often held posts of decades.

The country lived through creation of a "world of make-believe" where major problems were covered up with campaigns and celebrations while bureaucracy crippled the economy and stifled cultural life, the Kremlin chief declared.

Although never once mentioning Mr Brezhnev by name, Mr Gorbachev denounced the old leader's weakness for honours and awards and his protection of close friends among senior officials now denounced as almost totally corrupt.

> **'Many party members in senior executive positions were outside control or criticism, which resulted in failures in their work and serious breaches of party ethics'**

Mr Gorbachev's bitter onslaught, reported by the official Tass news agency, went far beyond earlier critiques of the Brezhnev years by the new Soviet leaders and in the official press over the past year.

Mikhail Gorbachev ... at the turning point

Its tone was reminiscent of denunciations of Josef Stalin in 1956 by then Kremlin leader Nikita Khrushchev – whose efforts to reform Soviet society are now being cautiously hailed in Moscow.

The "ideological dedication, labour enthusiasm and Soviet patriotism" of the people had been eroded by social corrosion, bringing a surge of scepticism and indifference, declared the 55-year-old Mr

Continued on Page 18

Editorial comment, Page 16

China to buy stake in Cathay Pacific for HK$2bn

By Kevin Hamlin in Hong Kong

THE CHINESE Government is to pay nearly HK$2bn (US$257.5m) for a key minority stake in Cathay Pacific Airways, Hong Kong's unofficial flag carrier, in a move which was seen yesterday as holding encouraging political implications for the future of the territory after it reverts to China in 1997.

China International Trust and Investment Corporation (Citic), one of Peking's main financial agencies, will receive the 12.5 per cent holding through a placement of both new and existing shares. The deal reinforces Cathay Pacific's status as the leading Hong Kong airline, although majority control will remain with Swire Pacific, its British-backed parent.

Mr Michael Miles, chairman of both Cathay and Swire, said yesterday that the support shown for Cathay by the mainland authorities was an investment "in the future prosperity of Hong Kong."

A statement from Citic said the acquisition was an appropriate step for its expansion into the civil aviation and tourism industries. Mr Larry C. K. Yung, a Citic official who is to join the airline's board added that there were currently no plans to increase the holding in Cathay.

Mr Miles said Swire was "very careful" to retain an absolute majority in the airline, and that this was clear evidence of its commitment to Hong Kong, and to Cathay Pacific. Citic had "made an investment in Cathay Pacific's existing management and policy."

In addition, Mr Miles said it was essential that Cathay continued to be an airline with majority British interests because almost all bilateral air services agreements were founded on the nationality of ownership.

John Swire and Sons, the UK trading and transport group, holds 47 per cent of the voting rights in Swire Pacific, which has a London listing in its own right and further British shareholders.

Cathay's British links have, however, created uncertainty over its future as Hong Kong's national airline. It has fought a series of fierce political battles with the 20-month-old Dragon Airlines, which is controlled by Sir Yue-Kong Pao, the shipping magnate. Dragonair has sought to undermine Cathay's status on political grounds in attempts to gain air traffic rights itself.

Citic is acquiring its interest through the issue of some 212m new shares at HK $5 apiece, and it will also buy almost 146m shares

Continued on Page 18

Background, Page 19

Commission makes raids on chemical companies

BY TONY JACKSON IN LONDON AND WILLIAM DAWKINS IN BRUSSELS

THE EUROPEAN Commission has made dawn raids on eight European chemical companies, looking for evidence of possible price-fixing in polyethylene and PVC, two widely used types of plastic.

The raids follow last year's similar polypropylene, case, when 15 companies were fined a record £37m ($55.9m) for price fixing. Companies now beeing investigated include Hoechst and BASF of West Germany and Dow of the US.

A legal row has broken out over the refusal by Hoechst to recognise the Commission's search warrant. In an unprecedented move, Hoechst has obtained an injunction against the search measures from the local Administrative Court in Frankfurt, and is refusing to hand over documents.

Dow confirmed that the Commission's inspectors had taken documents from its offices in Spain and the Netherlands last week. BASF said it had been visited by the inspectors on January 19 and 20, and that documents had been looked at relating to both polyethylene and PVC.

Hoechst said: "We are refusing to accept the illegal search measures employes by the EEC cartel authorities. Hoechst has obtained a temporary injunction against the search measures, by which the cartel authorities have exceeded their legal and constitutional rights with respect to the examination of companies". The company said it would fight its case under both European and German law.

The Commission said it was "strongly determined" to pursue its action. It is understood that the issue could be treated as a test case under Article 5 of the Treaty of Rome, which requires member states to give all assistance to the Commission. Although it is understood that the West German cartel office is helping the Commission, the local court injunction appears to take precedence.

Other companies are believed to be under investigation in France, Belgium and Spain. Europe's biggest producer of PVC, a new joint venture between ICI of the UK and Enichem of Germany, is not being investigated, ICI said.

ICI said "in the course of setting up the venture in 1985, we jointly had to go to the EEC for their approval and open our books to them." BP, one of Europe's largest producers of polyethylene, said it had not been visited by the inspectors. Shell, which has a large joint venture with BASF producing polyethylene in West Germany, also denied that it had been approached, and said that the marketing for the venture was almost wholly BASF's responsibility.

Fears grow in Beirut for church envoy

BY NORA BOUSTANY IN BEIRUT AND OUR FOREIGN STAFF

CONCERN mounted yesterday over the whereabouts in Lebanon of Mr Terry Waite, the Archbishop of Canterbury's special emissary who has been trying to secure the release of Western hostages.

There were fears last night in Lebanon that Mr Waite's disappearance eight days ago may be related to differences within the extremist Shia Moslem Hezbollah faction.

Concern was exacerbated by the arrest on January 12 in West Germany of a man accused of hijacking a TWA airliner in 1985. The arrest took place on the same day that Mr Waite left London for Beirut, since when nine foreigners have been kidnapped in Lebanon.

France announced last night that its citizens in Moslem West Beirut were being moved to the eastern Christian half of the city. About 12 people, mainly academics, are involved. It also urged news-organisations to order their journalists out of the city.

Sir Geoffrey Howe, the British Foreign Secretary, asked Mr John Gray, the British Ambassador in Lebanon, to initiate a search for Mr Waite following a report by the Kuwait news agency that the envoy was being held by an extremist faction.

Asked if he believed that Mr Waite had been kidnapped, Sir Geoffrey replied: "Plainly, people are anxious and understandably so. He has been undertaking an important task in circumstances which are not free from danger."

A British Foreign Office spokesman added: "No stone is being left unturned in the efforts to find Mr Waite and all British hostages in Beirut."

Mr Gray pointed out that Mr Waite did not co-ordinate or clear in advance his movements with the British Government. He later held talks with Mr Rashid Karami, the Lebanese Prime Minsiter, and other senior Moslems in West Beirut.

Druze militiamen, who at the British Embassy's request, were responsible for Mr Waite's protection, said that last saw him on January 20.

That evening Mr Waite left his hotel with his armed Druze escorts for a meeting in an apartment block near the American University. Minutes after entering the building, Mr Waite returned to his guards to say they could leave him as he was in safe hands and would be gone for a while.

It is believed that Mr Waite then headed towards south Beirut, accompanied by armed Shia elements and perhaps an intermediary. A prominent Shia doctor was said to have been acting as a conduit for Mr Waite, but he now denies having been involved.

Continued on Page 18

UK manufacturing confident of upturn

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

BRITISH manufacturing industry is confident of a substantial improvement in its performance over the next few months following a marked upturn in orders, the Confederation of British Industry, the employers' organisation, said yesterday.

The CBI's optimistic assessment of the prospects for output coincided with an official review of independent economic forecasts suggesting that Mr Nigel Lawson, the Chancellor of the Exchequer, will be able to cut taxes by at least £2bn ($3.04bn) in his March budget.

The responses by manufacturing companies to the latest CBI industrial trends survey indicate that the competitive gains from sterling's depreciation last year are now feeding through into much stronger overseas sales.

Business confidence among exporters is at its best level for two years, while there are also signs of a rise in demand for British goods in the domestic market.

The CBI believes that higher output will encourage a quickening in the pace of capital spending, with the volume of investment in the first nine months of this year likely to be 4 per cent higher than a year earlier.

Less encouraging, however, is the evidence from the survey that the pace of increase in manufacturers' costs and prices has started to accelerate and that the trend is likely to continue over the next few months.

This is likely to reinforce the forecasts of most independent economic forecasters that the rate of inflation will continue to rise in 1987, perhaps reaching 5 per cent by the final months of the year.

Sir Terence Beckett, the CBI's director general, said yesterday that the combination of a lower pound and the benefits to industry of lower oil prices offered "excellent opportunities" for 1987. "British industry must not miss this outstanding opportunity to increase its market share," he said.

He was careful, however, to emphasise the concern of some CBI members that optimism over the economic outlook had been exaggerated. "Intense competition continues to dominate world trade, and although the prospects are certainly better than they have been for a very long time they are not as good as some newspapers have been suggesting recently."

The prospective recovery in output will also not be enough to stabilise employment in manufacturing, although the rate of job losses should slow somewhat. The CBI expects manufacturing employment to fall by between 7,000 and 8,000 per month for the foreseeable future.

Details, Page 8

Aquino in full control after attempted coup

By Our Foreign Staff

PRESIDENT Corazon Aquino appeared to be in full control of the Philippines last night after dissident soldiers unsuccessfully attempted a dawn coup, although 100 rebels were still holding out at a captured television station.

After a tense three-hour negotiation with Gen Eduardo Ermita, deputy armed forces chief, the rebels last night released all their civilian hostages – an estimated 50 employees of the Channel 7 private television station.

Gen Ermita made no concessions to the rebels, simply offering them the chance to surrender. But, as they showed no immediate sign of giving in, President Aquino sent more than 1,000 soldiers armed with M-16 rifles to the station's compound.

They cleared the area of bystanders in what presidential aides announced could be the prelude to an assault. President Aquino promised "justice and retribution" in a clear indication that the rebel soldiers will be severely punished. She has demanded that they surrender and are then court martialled.

It was unclear last night whether the rebel soldiers were trying to restore former President Ferdinand Marcos to power or whether they were simply anti-Communists protesting at President Aquino's plans for constitutional reform.

Doubt over troops' loyalty, Page 4

CONTENTS

EUROPEAN NEWS

Italy, Canada press for admission to Group of Five talks

BY JOHN WYLES IN ROME

ITALY AND Canada have issued a strong warning that they must be included in any discussions on currency instability held between the Group of Five industrial nations.

Mr Bettino Craxi, Italy's Prime Minister and his Canadian counterpart, Mr Brian Mulroney, agreed here on Monday to resist any attempt to hold such discussions without their government being present.

Soundings over the past 24 hours have left officials and politicians confused over what is going on between the Five. In an attempt to reassure the two angry governments, Washington is said to have denied that there is any agreement to hold a meeting,

Mr Antonio Badini, Mr Craxi's diplomatic adviser said yesterday: "We believe that a meeting of the Five would breach the declaration from last year's Tokyo economic summit that Italy and Canada would be involved in discussing any measures which might affect their currencies."

Reported remarks by Mr Kiichi Miyazawa, Japan's Finance Minister. that his country and the US had agreed on the need for a meeting—possibly on February 7—to discuss the fall of the dollar with the three European members of the Group, West Germany, Britain and France, were rushed into talks on Monday afternoon between Mr Craxi and Mr Mulroney.

The two premiers apparently agreed to stress their concern and irritation at their possible exclusion when senior finance ministry officials from the Group of Seven, which includes their countries, meet here next week to prepare for the next world economic summit in Venice in May.

As participants as of right at world summits, both governments have long been irked by the existence of the smaller groups. They protested vigorously when they were kept out of the so-called Plaza meeting in New York in September 1985 at which it was agreed to try to manage a devaluation of the dollar.

"There needs to be a Group of Seven meeting because this is the moment when the monetary system is at stake," said Mr Badini. "This could be a real example of what consultation over policies could do to ensure currency stability.

Belgian smokers may face on-the-spot fines

BY TIM DICKSON IN BRUSSELS

BELGIAN smokers tempted to light up in a "public place" could soon face on-the-spot fines if Government plans are accepted by the country's quasi judicial Council of State.

The proposed crackdown, inspired by Mrs Wivina Demeester, Secretary for Public Health, would almost certainly make Belgium's anti-smoking regime the toughest in Europe, although penalties for the same "offence" are also being considered in the Netherlands.

The Belgian plans – enshrined in a draft decree which also requires royal assent – would prohibit smoking in areas of government buildings such as waiting rooms, halls and conference rooms as well as inside many hospitals, schools and universities.

Failure to observe the "No Smoking" signs could result in fines of anything between BFr 26 and BFr 300, (68c–$7.90), although the wording of the decree suggests persistent offenders could be asked for up to 60 times this amount.

A spokeswoman for Mrs Demeester said yesterday that the new rules would be administered in the same way as parking fines – with facilities for immediate payment – although who would play the role of "tobacco warden" is apparently not yet clear.

A survey last year showed that 35 per cent of Belgians admit to being "regular smokers" with an additional 6 per cent owning up to an occasional puff.

Not surprisingly, therefore, a majority of those interviewed this week for a three-page "vox pop" by the local newspaper De Morgen were in favour of the ban.

Peter Bruce explains why Eberhard Diepgen is at the centre of a great political debate

W. Berlin Mayor's state opportunity

SOMETIME during 1987, Queen Elizabeth II of Britain, President François Mitterrand of France and US President Ronald Reagan, all plan to call on a soft-spoken, ambitious West German lawyer.

He is Mr Eberhard Diepgen, the 45-year-old Mayor of West Berlin. With the exception of being Chancellor or Foreign Minister, he has what is probably the best job in West German politics. One of the great political debates of the year is swirling about him – should he, as Mayor, accept an official invitation to visit Communist East Berlin as part of the entire city's 750th birthday celebrations?

All the occupying allies in West Berlin are involved. Might not such a visit mean a tacit recognition of the division of the city and legitimise the authority in the East? Fortunately, possibly, for Mr Diepgen, the decision is not really his. The allies and his friend and party boss, Chancellor Helmut Kohl, will decide.

Mr Diepgen's gut feeling, though, is to go. "You must understand that between East and West Berlin there is no co-operation, no communication," he says. "It is not normal. My instinct is that this invitation is perhaps a great chance for a movement in the dialogue between East and West and especially for a new situation in relations between both parts of the city."

A few metres away from Mr Diepgen's office is the balcony upon which US President John Kennedy declared himself to be a Berliner when he visited the city in the early 1960s. Mr Diepgen is a real one, born and bred, which is probably why he is so passionate about the place.

"The future of this city depends on us believing that we can overcome this enclave situation. This city lies in the middle of Europe and was traditionally always a link between East and West. You travelled through here from Paris to Moscow, to Warsaw," he says.

"This city thrives on that and has to tie itself to its traditional role. Otherwise we're comparable to Tangier, and we are more than Tangier," says.

If there is a quiet desperation in his voice though, it is because Berlin is, truly, not what it once was – a centrepiece on the international political stage.

It is highly unlikely, for instance, that Berlin was much mentioned, if at all, when the leaders of the world's two superpowers last met. The wall, which once symbolised the very essence of communist "barbarism," is no longer fashionable.

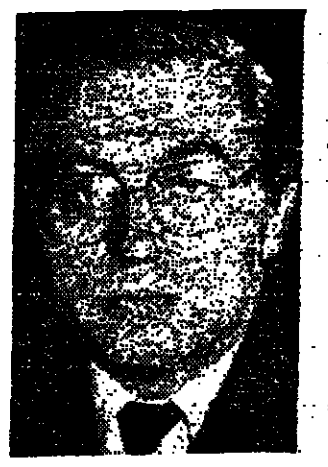
Mr Diepgen's job is to use the 750th anniversary celebrations to drag Berlin back into the limelight. In many ways, the mere debate about whether he should go to the Eastern side or not is good for him.

One reason is that it casts him in a superior, international, role at a time when, at a practical level, the city is once again showing its squalid face to the world in the form of (yet another) scandal involving the payment of bribes to politicians by its building fraternity. For a while after he came to power in February 1984, Mr Diepgen looked as though he might not survive the uproar. For the moment at least, he has.

Like Mr Kohl, Mr Diepgen is a thoroughgoing party man. He joined the CDU in 1962, soon after finishing high school and studied law at Berlin's Free University.

Meanwhile, the young Mayor is planning to enjoy himself until the next Berlin election in 1989. Luckily for him, the opposition Social Democrats in the city are in disarray. This year he gets to play the statesman and next year, when the World Bank meets in Berlin, he gets to be teacher.

"When the World Bank meets here I have absolutely nothing against them filling up the hotels in East Berlin as well," he says. "It will be exciting for delegates to have to cross Checkpoint Charlie and to experience the wall every day. Only by getting to know our division do you get to understand Europe."



Poehl: disappointed

Market reaction worries Poehl

By Andrew Fisher in Frankfurt

THE BUNDESBANK yesterday expressed concern about the way in which last week's package of interest rate cuts and liquidity-absorbing measures had been received, as it stepped into the foreign exchange market to try to support the dollar.

Dealers estimated that the central bank bought between $100m and $200m during the day to try to keep the dollar from falling further. But the US currency opened at DM 1.8160 and closed slightly below this level.

Mr Karl Otto Poehl, the Bundesbank president, said he was disappointed that the market did not seem to have understood the measures. These involved half percentage point cuts in the discount and lombard rates to 3 and 5 per cent respectively, and action to soak up excess liquidity caused by inflows ahead of the recent realignment in the European Monetary System.

He said that the cuts in interest rates would show through on to the money market. Short-term rates had already come down considerably. "They will fall further."

Announcing the measures last week he said that the next securities repurchase agreement with the commercial banks would be at a rate of 3.8 per cent compared with around 4.6 per cent in recent weeks.

It was the heavy inflows of around DM 17bn ahead of the ESM parity changes which nullified the effect of the Bundesbank's usual open market operations.

Saturday banking bid in France

By George Graham in Paris

FRENCH BANK customers, still annoyed at the prospect of having to pay for their cheques, may soon have one of their wishes fulfilled—the opening of bank branches on Saturdays.

Credit Lyonnais hopes to sign a union agreement in a few days

The Credit Agricole chain of agricultural branches already opens on Saturday mornings, but the weekend has remained forbidden territory for the main commercial banks.

This move will set Mr Jean-Maxime Leveque, Credit Lyonnais's chairman, one more step apart from his colleagues at the other state-owned banks. He has already raised hackles by unilaterally cutting his base interest rate and aggressively touting his bank's claim to be next on the list to be privatised.

The agreement Credit Lyonnais hopes to sign would provide a framework within which individual branches and areas could negotiate accords on flexible hours. The bank, however, would still need official approval for each Saturday opening scheme.

Opinion poll puts Haughey party well ahead

BY HUGH CARNEGY IN DUBLIN

MR CHARLES HAUGHEY'S Fianna Fail party has a commanding lead in the campaign for Ireland's general election on February 17, according to an opinion poll published in the Irish Times today.

The Market Research Bureau of Ireland poll gave Fianna Fail 52 per cent, up six points from its MRBI in November and enough to give it a parliamentary majority under Ireland's proportional representation system.

The poll was taken at the end of last week after the Fine Gael-Labour coalition had fallen.

The Fine Gael party of Dr Garret FitzGerald, the Prime Minister, had slipped six points to a lowly 23 per cent. Next came the Progressive Democrats, founded a year ago by a former Fianna Fail minister, with 15 per cent.

Significantly, the combined total of Fine Gael and Progressive Democrats, who broadly agree on austerity policies to tackle the debt-burdened economy, indicated they did not have sufficient support to form a coalition.

Fine Gael's outgoing coalition partner, Labour, was steady at 5 per cent. The Marxist Workers' Party had 2 per cent support, with Sinn Fein, the political wing of the Irish Republican Army, recording just 1 per cent.

Sinn Fein announced yesterday it would run 27 candidates in 24 constituencies in the election, the first it has contested on the basis that it will take up any seats it wins.

The organisation decided last November to overturn its traditional policy of abstention from the Irish Parliament which it previously regarded as unrepresentative because it did not rule over the whole of Ireland.

The change of policy reflected a shift in Sinn Fein/IRA thinking over the past six years that the movement should develop stronger conventional political involvement to complement its campaign of violence against British rule in Northern Ireland.

Mr Gerry Adams, the president of Sinn Fein, yesterday played down his party's expectations. "We won't be disappointed if we win no seats this time," he said. The party would concentrate its efforts on border areas and deprive inner city areas of Dublin.

Vienna conference on security reopens

BY PATRICK BLUM IN VIENNA

THE VIENNA Conference on Security and Co-operation in Europe reopened yesterday with delegates from East and West in more conciliatory mood after the sharp exchanges at the end of the first session before Christmas.

A series of headline-catching initiatives by the Soviet Union and its allies during the first session and afterwards have drawn attention away from western criticisms of the Eastern bloc's record on human rights.

During the session the Soviet Union and its allies submitted several proposals, including holding a human rights conference in Moscow, an economic forum in Prague, a cultural symposium in Cracow, and holding new Europe-wide talks on reducing conventional forces "from the Atlantic to the Urals."

These initiatives were followed by several moves such as allowing Mr Andrei Sakharov, the dissident Soviet scientist, to return to Moscow from internal exile,

Western delegates cautiously welcomed these moves. Mr Warren Zimmermann, the head of the US delegation, yesterday described the recent Soviet actions as "significant developments."

The Soviet Union was "trying to come to grips with its past," he said, citing as examples reports that a Georgian film critical of Stalinism was soon to be shown in Moscow and that Boris Pasternak's novel Dr Zhivago would be published in the Soviet Union after having been banned for decades.

There were still many political prisoners including over 35 members of the unofficial Soviet Helsinki monitoring group.

Mr Yuri Kashlev, head of the Soviet delegation, later dismissed western criticisms on his country's performance on human rights as propaganda. The new legislation on emigration and on joint ventures with western companies, as well as Soviet moves in favour of closer economic ties with the European Economic Community, demonstrated the Soviet Union's commitment to improved relations with the West," he said.

David Barchard reports on a rise in fundamentalism which threatens the freedom of middle class liberals

Islamic challenge to Turkey's European aspirations

TURKEY, the most secular and the most industrialised country of the Islamic world, is in the grip of a fierce argument about Islamic fundamentalism, something which until recently most middle class Turks thought disappeared as a serious threat half a century ago.

In the space of a few weeks fierce divisions have appeared between the major parties and political leaders. In some quarters the assumption that Turkey is steadily evolving into a European-style advanced industrial society is under serious challenge.

It is plain that there is serious alarm over fundamentalism. President Kenan Evren has denounced it for the first time as being as much of a danger to Turkey as Communism. The premier, Mr Turgut Ozal, who has long been under fire from the press because of his family's religious connections, has been forced to admit that fundamentalism could be a potential danger for the country.

The social democratic opposition has been much more outspoken, reflecting the fears of many Westernised middle class families.

"The fundamentalists are pushing hard on every front to gain ground wherever they can," says Mr Mithat Sirman, a journalist working for Hurriyet, Turkey's largest selling daily which has been campaigning against fundamentalists for months.

The most noticeable single feature is the growing number of men and women wearing recognisable Islamic sectarian costume. Turkey has always been full of women wearing peasant shawls and sometimes veils across their faces. In the last five years, however, these have been joined by urban women wearing plain silk headscarves (known rather confusingly as turbans in Turkish), and similar coats. These are identifiable as members of the underground religious movements called *tarikats* or brotherhoods, which have been illegal for many years but whose membership is clearly expanding dramatically at present.

Two weeks ago, at the behest of President Kenan Evren, the wearing of these headscarves by women in universities was banned. To some this looks like an interference in personal freedom of dress, not least when male students and staff are not permitted to have beards or wear jeans.

But for most Turks, the headscarf is a political statement. The *tarikats* want to undo the reforms of Kemal Ataturk in the 1920s, abolish Turkey's Western secular institutions and instal a clerical Islamic state.

There seems little doubt that this is, broadly speaking, a correct perception. A *Nakshibendi tarikat* follower whom I met not long ago described Ataturk to me as "an enemy of religion who did the devil's work." The family of a girl belonging to the Suleymanci *tarikat* confirmed that the movement aims at establishing a religious state.

There are about half a dozen major *tarikatis* and a huge number of smaller ones. Though their membership mostly consists of followers in rural areas and small towns, more than one Prime Minister of Turkey is believed to have been a *tarikat* member and connections between the religious movements and politicians are carefully monitored.

The key factors behind their growth seems to be the deliberate expansion of clerical education by right-wing politicians since 1965, and more particularly since 1980. The number of graduates of clergy training colleges doubled in the early 1980s from 28,000 in 1980 a year to 46,400 in 1984. This was far more than the number of policemen or agriculturalists being trained.

It contrasts with the total suppression of religious education of any sort in Turkey for 15 years by Ataturk. Religious instruction is now compulsory in all schools and even Christian and Jewish children have to attend Islamic religious instruction and pass exams in it.

When the generals drew up the 1982 Constitution they believed religious education would be a bulwark against the spread of Marxist ideas. Now the army itself, a traditional guardian of secularism, feels threatened.

For most secularised Turks, the army is now the chief remaining protection against a fundamentalist takeover. At home and at work, many have to contend with active pressures from fundamentalists.

President Evren recently revealed that religious extremists had been detected trying to infiltrate students into military academies.

"Every Friday there is a great rush to the mosque" says an official in the State Planning Organistation "Everyone sees who pleases their superiors by going. I think it is extremely unhealthy, but no one listens to me."

There is a similar situation in schools and in the streets. Some shops in middle class quarters of Ankara now shut during prayer times on Fridays (Sunday has been the weekly holiday in Turkey since the 1920s). The muezzin's cry is heard loudly at night in districts where until recently it was unfamiliar even by day.

The Westernised element of Turkish society is largely middle class and made up of intellectuals, civil servants and new business and industrial groups. These have all grown up inside the Western educational and legal institutions created in the 1920s by Ataturk.

Turkey's legal system is entirely Western, drawing on the Swiss civil code, Italian penal code and German commercial code. So, too, is the country's business life. Fundamentalists often slate Mr Ozal for tolerating high interest rates. Islamic banking has existed only for the last three years under a special law and is very much on the fringes of the financial world in Istanbul, operating under the euphemism of "special finance houses." In practice the two Saudi-backed finance houses operate in a way which is hard to distinguish from that of a normal bank.

Alarmed by the growth of fundamentalism in the rural hinterland, most of the business world favours the swift integration of Turkey in the EEC.

No one seems sure where the Islamic movement will end. To Mr Demirel and the True Path Party, the development is perfectly healthy. But then Mr Demirel presided over the restoration of clerical education in Turkey and is trying to build an electoral coalition against the government.

Mr Ozal is caught between the strongly clerical wing of the Motherland Party and his liberal, business-minded advisers. His parliamentary party, which recently voted against an investigation into fundamentalism, seems chiefly clericalist.

The number of people wearing recognisably Islamic sectarian costume is growing

This month fundamentalists have surprised public opinion by holding marches in Istanbul and Konya, calling for the restoration of the *sharia* (Islamic holy law). These have been followed by a spate of detentions, arrests and trials of some of their leaders, reminiscent of the treatment meted out in Turkey to leftwing activists.

It seems unlikely that this will do much to halt what seems to be a growing social movement.

Turkey has notified the Council of Europe that it is allowing its citizens to apply to the European Commission on Human Rights. However, it will not allow individual Turks to start cases in the European Court of Human Rights. There is, therefore, some uncertainty about what the practical effect of the decision would be. Human rights disputes usually proceed to the Court after the Commission has ruled that they are within its competence and that attempts to negotiate a settlement have failed.

Foreign Ministry officials in Ankara say that if disputes are not resolved by the Commission, they will be discussed by the ministerial council of the Council of Europe at a political level.

Turkey has frequently been criticised by human rights organisations, but allegations of major human rights violations seem to have diminished in the past two years.

● A group of Turkish and Syrian nationals who worked for the Moslem Brotherhood in Turkey are to go on trial in Ankara soon, according to the Anatolia newsagency, charged with subversion and smuggling explosives.

A Syrian army NCO employed at the embassy in Ankara is one of two Syrians accused. This is the second time in three months that officials at the Syrian embassy have been named in indictments

---

French Communist crisis grows with second resignation

BY PAUL BETTS IN PARIS

THE INTERNAL crisis in the French Communist Party (PCF) has reached a new climax with the resignation of two leading members of the party's central committee.

Mr Marcel Rigout, a Communist minister in the former French leftwing governing coalition, resigned yesterday in protest against the hard-line position of the Communist leadership against the party's so-called *reformist* members or "renovateurs."

He followed Mr Claude Poperen, another leading figure in the party, who resigned from the central committee on Monday, also in protest against the leadership's intransigent position towards party dissidents.

Dissident members have been waging an increasingly open and active campaign to try to persuade the party to modernise itself and adapt its traditional Marxist-Leninist policies to respond more closely to the changes that have taken place in French society.

However, Mr Georges Marchais, the Communist party's secretary-general, and the hard core of the party's leadership, have rejected any change. Instead, they have sought to silence the growing number of reformists in the party. Mr Marchais went as far as describing these dissidents as "liquidators" during a television interview last week.

The description sparked the latest internal crisis by prompting Mr Rigout to write a letter of protest to the leadership. But the majority of the central committee rejected Mr Rigout's criticisms at a meeting this week, backing Mr Marchais' use of the word "liquidators" to describe the dissidents.

After provoking the resignation of Mr Poperen on Monday, Mr Rigout also decided to resign yesterday from the party's central committee.

Following the resignations of the two leading Communist Party members – the first time central committee members have resigned since 1988 – Mr Pierre Juquin, the leader of the dissident faction, warned yesterday that the reformists intended to continue their struggle to try to transform and modernise the party.

The reformists have been intensifying their campaign during the past two years in the face of the steady decline of the party.

At the last legislative elections, last March, the Communists polled barely 10 per cent of the national vote or the equivalent of the extreme right National Front.

Debt crisis appeal by Vatican

THE VATICAN took a unique step yesterday in the global debt crisis, issuing a document saying the West must rescue the Third World from bankruptcy but also warning debtor states that rash action by them could endanger the entire financial system, Reuter reports from Rome.

It blamed both the industrialised and developing nations for the debt crisis and said they must share in solving it. An "ethic of survival" was needed.

"Debt servicing cannot be met at the price of the asphyxiation of a country's economy and no government can morally demand of its people privations incompatible with human dignity," it said. But it warned that payments defaults would carry the risk of a generalised crisis.

The document was prepared for Pope John Paul by the Pontifical Commission on Justice and Peace. It comes as the Vatican is putting finishing touches to plans for the Pope's visit to Latin America in the spring. The Vatican said the situation called for new forms of international solidarity.

"The various partners must agree on an equitable sharing of the adjustment efforts and the necessary sacrifices, taking into account the priority to be given to the needs of the most deprived peoples. It is the responsibility of the countries that are better off to assume a large share," it said.

Truce in Genoa dispute

By Alan Friedman in Milan

A TEMPORARY truce was agreed yesterday in the long-running labour dispute between the Genoa port authority and a defiant dockworkers' association which has been refusing to accept a nationally negotiated accord.

Mr Paride Batini, the workers' leader who was threatened with legal action and dismissal unless his 3,000 union members agreed to implement the agreement which reduces the number of men handling container ships, last night promised to observe the accord from this morning.

The dispute erupted in violence recently, and senior union leaders in Rome warned last night that it was not over. Mr Batini said he was only agreeing to the deal to avoid the sack and the installation of a government official in his place.

It is believed that he has come under pressure by the Communist party, which is embarrassed by the strike action.

● Italy recorded a sharply reduced balance of payments deficit in 1986. The L2,441bn (£1.2bn) deficit for last year was 70 per cent below the previous year's level of L8,352bn (£4.2bn).

The reduced deficit, announced yesterday by the Bank of Italy, was seen as further evidence of the country's steadily improving economic performance. It was noted yesterday that 1986 saw a total of six months of surplus in Italy's balance of payments, the first time this had been recorded.

IMF wants Warsaw to speed export programme

BY CHRISTOPHER BOBINSKI IN WARSAW

THE International Monetary Fund urging the Polish Government to speed up its programme of boosting hard currency exports and improving efficiency. This was indicated by Mr Jerzy Urban, the government spokesman after the first round of talks on Poland's request for a standby loan, its first since it rejoined the IMF last year.

In the meantime, Mr John Whitehead, a US Deputy Secretary of State, arrives in Warsaw today for talks on improving relations between the two countries. These have been poor since the West imposed economic sanctions in 1981.

Mr Urban stressed yesterday that the aims of Poland's 1986-1990 economic plan were "in line with the Fund's recommendations" but that the two sides had differed on the "tempo" of the changes outlined in the plan.

Significant increases in exports and efficiency would mean a downward revision of the five-year plan's targets of a 5 per cent growth in real incomes and a 24 per cent increase in much-needed capital investment.

The Government had often hinted that such a move increased risks of provoking social discontent. Talks wih the IMF are to continue in the spring, Mr Urban said.

FINANCIAL TIMES

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: R.A. Harper, Frankfurt/Main. Guiollettstrasse 54, 6000 Frankfurt am Main 1. © The Financial Times Ltd, 1986.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

Shipping tries to dodge Gulf missiles

David Buchan and Richard Johns report on counter-measures to protect merchant shipping

THE Iranian missile attack on a British gas carrier in the Gulf last week has not only renewed concern about attacks on merchant shipping there now running at around 100 incidents a year, but raised a new doubt about the deterrent effect of Western warships in the region.

At the time the Iranian frigate loosed off its unsuccessful broadside of five missiles at it, the Shell-owned Isomeria was in radio contact with a British warship. This was the first attack on a British ship since the UK government las autumn instructed its so-calleu Armilla patrol—one frigate and one destoryer—to spend more time inside the Gulf.

It also came in the same week that some 150 representatives of shipowners, oil companies, electronics companies and defence consultants met in Athens, at a conference entitled "Shipping Under Fire," to discuss the new problems of, and solutions to, being caught in the Gulf war's cross-fire.

New defensive countermeasures being touted range from early warning radar and jamming equipment to special radar absorptive paint and radar distraction decoys. So far, most of the customers are Greek shipowners and many of the suppliers British.

Thus, MEL, the UK subsidiary of the Philips electronics group, has installed its Matilda warning radar on two Greek-owned tankers. Developed initially for the Royal Navy which has bought six sets for oilers and auxiliary ships, the Matilda costs £80,000 and is able to detect incoming missiles up to a range of 40 kilometres.

This would give a ship's captain perhaps a minute's warning—time enough to switch on fire-fighting equipment so as to minimise damage when a missile hits.

Four Greek-owned tankers, ferrying oil for Iran from Kharg Island to the Larak terminal in the mouth of the Gulf, have currently on board an "operator" supplied from Defence Analysts Ltd (DAL), a small Somerset-based company. The British Falklands war veterans who make up DAL are essentially teaching what they learned in 1982 about Exocet missile attacks.

The threat from Iraq is almost exclusively directed at ships on the Kharg-Larak run and comes in the form of French-made Exocet missiles from Iraqi jets. The Exocet has its own guidance radar, which, DAL advises, can be confused by draping the ship in netting material to absorb radar beams and reduce radar echo, and by towing a special high-profile radar reflector behind.

Some shipping experts question the efficacy of this. But DAL claims that its advice and technology reduced the damage to its Greek clients' ships from two Exocet hits to less than $1m, and have so far prevented any fires or injuries. A number of other tankers have also been fitted with similar radar distraction systems with the help of their charterers — the Iranians.

Until last autumn, Iranian attacks—which recently have concentrated on tankers carrying Kuwaiti oil—came mainly from helicopters operating off oil platforms in the Iranian sector of the Gulf eastern basin. They find anti-tank weapons, television-guided and only operable in daytime. Thus, ships tended to try to pass through this danger zone at night.

Since October, nine Iranian attacks on ships have been made by frigates—supplied in the early 1970s by Vospers and Vickers of the UK—using Italian-made Sea Killer missiles with a range of 25 kilometres.

These work off the frigate's powerful radar, "riding along" its beam to the target, and therefore can be fired at night.

No merchant ship belonging to any country other than Iran or Iraq is known to have armed itself. The International Chamber of Shipping recently warned shipowners might be driven to this drastic step, but this was mainly to dramatise their appeal to Mr Perez de Cuellar, the United Nations secretary general, for a UN Gulf patrol.

Meantime, the current advice —like that issued by the General Council of British Shipping—is more tactical than technological: known areas of attack should be avoided, medical supplies should be stocked in life boats, and fire risk to human life should be minimised by sailors wearing short haircuts and avoiding inflammable artificial fibre clothes.

Iran claims another mile on the Basra road

IRAN CLAIMED yesterday to have advanced further towards Basra, Iraq's second largest city, after another night of heavy fighting in the Gulf War, Our Middle East Staff reports.

A communique from Tehran said its forces had captured another mile of road west of the Jasim river, inflicting heavy casualties on the Iraqi defenders and destroying the headquarters of the 45th Army brigade.

Iraq reported however that the offensive had been contained and claimed that the overnight success brought to 18 the number of Revolutionary Guards divisions which had been destroyed during the past two weeks.

A statement from Baghdad said that Iran's "miner territorial gains" had cost Tehran over 90,000 killed and wounded.

Western military experts said yesterday that the latest satellite information showed that Iran was bringing up additional reinforcements into the area south east of Basra. However, they still doubt whether Iran will use them in the present offensive.

King Hussein of Jordan sharply criticised Iran yesterday for refusing to send a delegation to the summit meeting of the Islamic Conference Organisation in Kuwait

"We hope that our brothers in Tehran will respond to the call for peace and abandon their belligerent attitude in this ugly and costly war," he said. King Hussein warned that the fighting had reached a critical stage and urged the adoption of a resolution calling for an immediate ceasefire.

Industrial output falls in Japan as yen soars

By Ian Rodger in Tokyo

JAPAN'S industrial output fell last year for the first time in 11 years, reflecting the slump in many export oriented manufacturing industries caused by the rapid rise of the yen.

The seasonally adjusted production index of the country's mining and manufacturing industries fell 0.4 per cent to 121.4 at the end of December compared with the end of 1985 (1980=100), according to a preliminary report from the Ministry of International Trade and Industry.

The main declines were in machinery, down 6.8 per cent, steel, down 6 per cent, and textiles, down 4.1 per cent. However, output of electric machinery and precision instruments were up 5.9 per cent and 4.7 per cent respectively, reflecting the dominant positions Japanese companies have in some of these sectors in world markets.

The production index in December was up 2.9 per cent from a revised figure for the previous month to 122.

Libya blocks Egyptian bid

LIBYA'S delegation to the African Petroleum Producers' Association (Appa) said yesterday that it would refuse to accept Egyptian membership, quickly presenting the two-day-old organisation with a potentially damaging political dispute, Victor Mallett reports from Lagos.

Other countries attending Appa's first conference in the Nigerian capital, Lagos, sought to play down the affair, but Mr Fawzi Shakshuki, Libyan Oil Minister, responded with a firm "no" when asked whether Libya would allow Egypt to join.

Mr Shakshuki said his stand conformed to earlier Arab decisions to try to "kick out" Egypt from international organisations because of Egypt's rapprochement with Israel.

Gandhi invites Zia to cricket

PRIME MINISTER Rajiv Gandhi, in a bid at cricket diplomacy during border tension, has invited Pakistan President Mohammad Zia ul-Haq to attend a match in the current India-Pakistan cricket series, a lawmaker reported yesterday, AP reports from New Delhi.

The invitation to Zia, a well-known cricket enthusiast, comes at a time of high tension between the rival nations along their common border.

Troops are stationed on both sides in forward and defensive positions in full battle preparedness.

The cricket invitation is being carried by Mr N. K. P. Salve, an MP from Gandhi's governing Congress Party.

Canberra doubts on privatisation

The Australian Government's Economic Planning Advisory Council has opted for caution on the politically contentious issue of privatisation to improve the efficiency of the country's public enterprises, Chris Sherwell reports from Canberra.

In a report released yesterday, it suggests that the introduction of competition into their activities, rather than outright privatisation, offers the greatest potential for sustained long-term gains in efficiency.

Philippine coup attempt throws doubt on loyalty of troops

BY RICHARD GOURLAY IN MANILA

PRESIDENT Corazon Aquino had to deal with a military rebellion yesterday, close on the heels of an angry left-wing demonstration on Monday. It was the most serious threat so far to her government from the political right.

The rebel move again highlighted the tension in the armed forces 11 months after Mrs Aquino took power. It stems largely from her unusual and often criticised handling of the country's Communist insurgency.

It is the latest in a series of failed rebellions and coup threats that have plagued Mrs Aquino's Government, continually distracting her from repairing the country's damaged economy.

Both the failed rebellion — which its leaders later tried to call a protest against the spreading influence of Communism — and rising left-wing street action, show how vulnerable the referendum for a new constitution on February 2 is to the country's political extremists.

Having successfully defused the rebellion and placated, at least temporarily, left-wingers angry at the killing of 15 peasants in a rally last week, Mrs Aquino is likely to succeed in holding the plebiscite. However, most political observers expect more disturbances in the week ahead before the vote, which is designed to set the stage for greater political stability.

Early yesterday morning, rebel troops moved on three military camps, where they were repelled, failed to take over the Government's television station, captured an armoury outside Manila and successfully occupied a private television station, Channel 7.

About 300 heavily-armed troops, wearing the insignia of the Guardians, a prominent military fraternity, marched into Channel 7 in the early hours. It was not immediately clear whether the rebels were stragglers in an ill-directed coup plot, supporters of former President Marcos, or soldiers protesting against the alleged rising tide of Communism, as they later claimed.

Mrs Aquino at a mass yesterday after the coup attempt

I scrambled over a wall at Channel 7 to meet the leader of the rebels in a scruffy editing room crammed with nervous majors and soldiers armed with Armalite rifles.

Col Oscar Canlas, sitting with a handgun and two spare ammunition clips tucked into the belt of his jeans, told me that his action had nothing to do with support for Mr Marcos. "There is an increasing influence of Communism in the country," Col Canlas said, adding that his move to take over Channel 7 had the support of the "silent majority inside the armed forces.

"The military should have a greater hand in government because this is not a normal situation," Col Canlas said, referring to the supposed Communist threat. The colonel, a senior intelligence officer and former military attache in the Middle East, refused to say who else was behind the rebellion.

As I was escorted firmly out of the front gate, one captain admitted he was frightened and said that, when he was asked to take over the television station he was told the move would be backed by a majority of the armed forces.

As a visibly tired Mrs Aquino appeared on television to read a prepared text saying that the Government was fully in control, it was not clear that the entire armed forces were as firmly behind her as she claimed.

Col Canlas said that six generals, none of whom he would name, had supported his actions and he hinted they would have broadcast a message, had the transmitters been working.

President Aquino also promised not to adopt the same leniency as she showed to troops last July when they took over the Manila Hotel and proclaimed as acting president the former Marcos vice-presidential running-mate, Mr Arturo Tolentino.

To the astonishment of many outside observers and even forgiving Filipinos, the rebel soldiers' only punishment was to do press-ups before they were redeployed.

The rebels, by pressing the line that they are simply anti-Communist, may well be tapping a seam of sympathy inside the armed forces. This could lead to further tension between Mrs Aquino and the military

For Mrs Aquino, the quip that a week is a long time in politics is most apt ahead of the constitutional plebiscite.

Seven Tamil farmers 'shot'

A TAMIL-language newspaper reported yesterday that seven Tamil farmers were shot dead by Government security forces in northern Sri Lanka, AP reports from Colombo.

The Virakesari newspaper said the seven were on a truck carrying fuel when they were mistaken by soldiers as Tamil rebels and killed on Monday near Vavuniya, 135 miles north-east of Colombo. The report said the soldiers then set the truck and bodies on fire.

There was no official report of such and incident by the Government's media centre in Colombo. Because the Government has cut telephone lines to the north, it was impossible to check the newspaper report with sources in the region.

The cutting of telephone lines is part of the Government's effort to isolate Tamil rebels who have declared a separate administration in the Jaffna pensinsula of northern Sri Lanka.

The rebels have been fighting for more than three years for a separate Tamil nation in the island's north and east.

Tamils, who are mostly Hindus, make up 18 per cent of Sri Lanka's 16m population. Many maintain they are discriminated against by the majority Sinhalese Buddhists.

The Virekesari report said the seven farmers were shot by soldiers from the Ommantai military camp, six miles north of Vavuniya.

Israel inflation accord signed

BY ANDREW WHITLEY IN JERUSALEM

A LANDMARK economic agreement aimed at reducing the country's 20 per cent inflation rate and spurring real growth was signed yesterday by the Israeli Government and representatives of trades unions and industrialists.

The agreement marks the second stage of the economic recovery plan launched by the coalition Government of National Unity in July 1985.

But, to win the support of industry and labour, the Shamir Government has been forced to make significant compromises on its original far-reaching plans to open up the state-dominated Israeli economy to market forces and reform the heavily indebted social welfare system.

Mr Moshe Nissim, the Finance Minister, yesterday described the tripartite agreement as a significant contribution towards the economic stabilisation the Government regards as its prime goal. But industry leaders warned of impending balance of payments problems

The Israeli Government has disclosed that it has stocks of over 4m gas masks, enough to equip every single Israeli —man, woman and child—in the event of war with Syria. Despite frequent warnings that all out conflict with Syria could break out at a moment's notice the gas masks will not be issued now because of fears that within months they would be rendered ineffective by misuse.

From the Treasury's point of view, the main achievements of the compromise package thrashed out over the past six weeks are:

- The trades unions have agreed to a partial de-indexation of an automatic cost-of-living adjustment trigger regarded as a principal villain behind inflationary pressures. Instead of a 70 per cent compensation for price rises, workers will now receive 43 per cent.
- Top marginal rates of corporate and personal taxation will be cut from 60 to 52.5 per cent—half the reduction originally sought.
- The 1987-88 budget, is to be cut by a modest Sh 400m (£161m) from its original projected level of Sh 26.7bn. Whether these cuts are implemented remains to be seen, given the Government's mixed record on this score.
- Opening up of the domestic capital markets to private borrowers, in principle, will continue; though to what extent depends critically on the Government's success in controlling its own expenditure.

Sanctions 'counter-productive'

BY ANTHONY ROBINSON IN JOHANNESBURG

A STUDY of the effect of economic sanctions on the South African Government commissioned by the Southern African Catholic Bishops Congress has come to the conclusion that sanctions have proved counter-productive.

The report, by a special "committee on economic pressure" states "the whole sanctions issue has consolidated Government in its retreat from meaningful, and indeed any reform."

The study was commissioned after the congress issued a statement last year which concluded that economic pressure had been "justifiably imposed to end apartheid" while recognising that it did not have the specific competence to advise on how exactly economic pressure "can or should be applied."

The study concluded that "an effective trade boycott is likely to be more detrimental than any sanctions" and that "the ultimate consequence of sanctions on South African imports would be a misapplication of resources and secular inflation." It also noted that the export sectors most vulnerable to boycotts "are also the main employers of black labour like mining, the mineral industries and agriculture."

The doubts about sanctions revealed in the report coincide with the publication of the 1986 trade figures which show a record surplus of R14.9bn (£2.2bn) compared with R13.6bn in 1985. Exports last year rose to R41.8bn from R36.5bn while imports rose to R26.9bn from R22.9bn, boosted by replenishment of the strategic oil and other reserves.

Figures released yesterday by the Chamber of Mines however showed that South African gold production last year fell to 638,191 kg from 671,789 kg

Southern Africa sanctions plan

Southern Africa's frontline states have drawn up a $1.19bn (£720m) emergency plan to protect their fragile economies from possible measures by Pretoria in retaliation against sanctions, Zimbabwe's news agency reported, Reuter writes from Harare.

The agency said the plan was approved at a meeting of leaders of the Non-Aligned Movement's Southern Africa Solidarity Fund in New Delhi at the weekend.

It includes creation of food stockpiles and possible food airlifts, improvement of transport links and establishment of a task force to guard trade routes.

Thais to replace destroyed tantalum plant

BY PETER UNGPHAKORN IN BANGKOK

THE TANTALUM processing plant, which was burned down last June by rioters on Thailand's resort island of Phuket is to be rebuilt at a new location at a cost of $35m (£23m)

The decision made by Thailand Tantalum Industry Corporation late on Monday shows revived confidence in the Government's support for the project and improved public relations with people likely to live close to the factory.

The new location, near a seaport at Map Ta Put, also improves the prospect of large investment plans on Thailand's eastern seaboard.

Fears of pollution, the proclaimed grievance of the rioters in Phuket, appear to have been calmed down. A number of theories have been put forward for the motivation behind last June's protest, including rivalry between local interest groups involved in tin mining.

The new location would take the plant away from its main source of raw materials, tin slag from the country's only working smelter which has for years been situated on Phuket.

Strict waste control measures are needed to deal with acids left over from the extraction process, including some concrete-lined landfills. But the company and the Government are confident that technology to be imported from Hermann C. Starck of West Germany will be maintained at the same standards as in Europe and North America.

There have been no complaints from the residents near the proposed site, despite some fledgling coastal resorts and ecologically important areas

The Government has agreed to buy Baht 175m (£4.5m) new shares in the company which would take total registered capital to Baht 900m. Majority holding would remain in Thai private hands, although among the foreign investors is the World Bank subsidiary the Industrial Finance Corporation with a $3.9m stake or about 10 per cent.

Polls show Iran scandal dents Reagan's image

BY STEWART FLEMING, US EDITOR IN WASHINGTON

PRESIDENT Ronald Reagan's image as a strong and effective leader has been undermined by the fallout from the Iran arms deal scandal amid growing concern about the outlook for the US economy, according to the latest batch of public opinion polls published yesterday as Mr Reagan prepared his State of the Union address.

The polls continued to show that a majority of American voters do not support several of the foreign and domestic policies to which the President attaches great importance, including his proposals for further increases in defence spending, support for the Contra rebels in Nicaragua and his proposals to cut government spending on farm support, student loans and medical aid for the old and the poor.

Opinion polls have consistently in recent years shown that the President was more popular than his policies. But now, with his popularity waning, and its effectiveness in question, the political significance of the weak support for many of his policies is greater.

Pols conducted in the past month by the New York Times/CBS News, by the Wall Street Journal/NBC News and by the Washington Post/ABC News, all indicate mounting scepticism about Mr Reagan's ability to achieve the political agenda which will be outlined in the State of the Union speech.

According to the New York Times/CBS News poll, for example, the erosion of support for his handling of the job of President which began last autumn when the Iran/Contra scandal broke has halted. The mid-January poll showed 52 per cent of Americans thought he was doing a good job, up from 47 per cent at the beginning of December but down from 65 per cent a year ago.

But the same poll showed overwhelming scepticism about whether Mr Reagan could accomplish his goals over the last two years of his presidency, with 71 per cent saying he could not and only 7 per cent saying he could accomplish a great deal.

In the Wall Street Journal/NBC poll 71 per cent of respondents said the President was not as fully in charge of his Administration as he should be.

The polls also show mounting concern about the economic outlook with the ABC/Washington Post poll showing that 38 per cent of Americans believe the economic outlook is getting worse against only 23 per cent who believe it is improving, the gloomiest response since January 1983. In December only 28 per cent thought economic horizon was darkening.

Shultz accuses Tehran of threatening US interests

BY LIONEL BARBER IN WASHINGTON

MR GEORGE SHULTZ, US Secretary of State, yesterday ruled out further US arms sales to Iran, saying that Tehran directly threatens US interests with its support for terrorism and its war against Iraq.

In a blunt assessment of US-Iran relations, Mr Shultz told the Senate Foreign Relations Committee that he looked to an "eventual improvement" provided Iran rejected "its belicose and terroist policies."

In response to questions, Mr Shultz elaborated on a meeting last month with Iranians in Frankfurt, which he said was attended by State Department and Central Intelligence Agency officials.

Mr Shultz said the meeting was set up on December 13 because "we wanted to make it clear in every possible channel" that there would be no further arms sales as announced by Mr Reagan on November 19.

Mr Shultz, continuing to distance himself from the original White House decision to sell arms secretly to Iran, described it as a "limited exception to US policy" which had not worked.

Brazil's public sector deficit rises

By Ivo Dawney in Rio de Janeiro

BRAZIL'S public sector operating deficit amounted to a record Cruzados 20bn ($1.3bn) in 1986 or 2.9 per cent of national gross domestic product (GDP), according to the Central Bank.

But the figures, derived from a new accounting conceput which includes inflation exchange rates adjustments, are strongly contested by many independent economists.

Under the so-called nominal concept of the public sector borrowing requirement, used by the International Monetary Fund (IMF), the outcome would be far higher, probably well above 5 per cent of GDP.

The Government's original 1986 target was to keep public expenditure overspending down to 0.5 per cent of GDP, but this was revised upwards to 5 per cent after the anti-inflationary Cruzado Plan was introduced in February. It now intends to balance its books in 1987 under the new accounting concept.

But the sector analysts remain most disturbed about is Brazil's 266 state companies, which last year recorded a deficit of Cruzados 15bn against a budgeted Cruzados 1bn. Problems over this year's budget have forced the government to forbid the government to forbid temperarily any increase in expenditure by the companies over last year's levels.

Despite repeated calls for spending restraint from leading economists and the private sector, there have been few measures to cut costs.

US and Mongolia set to sign diplomatic pact

The US and Mongolia, one of the Soviet Union's closest Asian allies, yesterday were due to establish diplomatic relations for the first time, Reuter reports from Washington.

Mr George Shultz, US Secretary of State, and Mr Gendengiin Nyamdoo, Mongolia's permanent representative to the UN, were due to sign a memorandum of understanding establishing relations at a State Department ceremony.

Sarita Kendall reports on the uncertain political future facing President Febres Cordero

Kidnap sets scene for crisis in Ecuador

PRESIDENT Leon Febres Cordero has weathered the crisis caused by his kidnapping with an assurance which belies underlying dangers for Ecudorean democracy.

The drama played out at the Taura airbase did not represent a serious attempt at a coup, but it did expose disciplinary problems at a key military installation. Instead of encouraging different sectors to rally round the President, it accentuated the political polarisation which has been developing ever since Senor Febres Cordeor took over.

The President and his staff were held for nearly 12 hours at the airbase on January 16. Shooting broke out, soon after the presidential delegation arrived for a military ceremony, killing two people. The rebel airforce commandos put all except the President and the Minister of Defence in a chapel. According to the President, there was enormous confusion and the rebels threatened to start executions with the oldest and most important hostages.

Once it became clear that the commandos were acting independently without the support of other units, the President called on the armed forces not to intervene. The rebels demanded the release of former airforce commander Gen Frank Vargas Pazzos, who led an insurrection last March and was awaiting sentence by a military court.

Other demands — including the resignation of the President and top commanding officers—gradually fizzled out. Late in the day Senor Febres Cordero was shown on television dictating documents that ordered Gen Vargas to be freed and guaranteed no action would be taken against the rebels.

Criticism of the President's behaviour gathered force. A special session of Congress was convened to discuss the situation. Many Ecuadoreans were astonished by what seemed to be a quick, shameful surrender. Sr Febres Cordero had always condemned negotiation with armed rebels, was indeed held in high esteem in Washington for his stance. The President was adamant on two points: he had not bargained for his own life, but for the lives of his fellow hostages and for Ecuador, and he had given his word of honour to the commandos when he signed the documents.

If the President's image had been less intertwined with authoritarian tactics and machista language, reactions might have been kinder. One columnist said that, in the eyes of his detractors, the President's failure was not to have been killed at Taura. The congressional resolution calling for his resignation rested mainly on a series of alleged violations of the constitution

Febres Cordero: underlying dangers

over the last two and half years which, according to opposition parties, were responsible for provoking the Taura incident.

However, the President responded with a characteristically acerbic statement, saying he would complete the term for which he was elected. The episode will hardly improve the abysmal relationship between the palace and the opposition-controlled congress. Although the opposition cannot muster enough votes to pursue a full-scale political trial of the President, there are several contenious issues coming. On the other hand, political parties will be turning their attention to the congressional and presidential elections which take place a year from now.

General Frank Vargas has been lying low since his release, apparently waiting to see whether all charges against him—including one not covered by the political amnesty—will be dropped. The Government and the military face a difficult decision: if the general is re-arrested, there will be a strong public reaction. If he goes free, he may become a dangerous joker in the presidential election pack

The military is another unknown. While the commanders of the armed forces and the Minister of Defence have reaffirmed their support for constitutional democracy and the Government, there is some concern about how far down this support reaches. Former President Osvaldo Hurtado said the military could no longer be seen as a monolithic institution offering unanimous support. Any disciplinary measures against the Taura commandos—who have already been moved to Quito and split up—will undermine the President's word of honour.

Apart from the political pitfalls, the economic outlook is far from rosy. When the President was kidnapped, his economic team was in the US to discuss rescheduling part of the $8.5bn foreign debt. Talks had to be postponed and Ecuador will now be seen as a higher risk. The dive in oil prices led to a current account deficit of $693m at the end of 1986, and the situation would have been much worse but for plentiful foreign credit and a strong demand for non-oil exports such as coffee, bananas and shrimp.

Oil normally contributes about two-thirds of Ecuador's foreign earnings, but last year the share fell to less than half —just enough to cover debt servicing. Apart from the price problem, diminishing reserves spell a steady reduction in export volumes unless new discoveries are made soon. Five exploration contracts are being negotiated with foreign companies.

Although last year's economic growth rate of 1.7 per cent was better than might have been expected and inflation, at about 28 per cent, is low compared with many Latin American nations, unemployment and the loss of purchasing power among low-income groups are the classic ingredients for strikes and street demonstrations in Ecuador. Disillusionment with the Government's campaign offers of food, jobs and houses could cause just as much unrest as political troubles.

Trinidad seeks $220m in foreign credit

TRINIDAD and Tobago is seeking $220m from foreign creditors this year to help finance a projected budget deficit of $695m, Mr A. N. Robinson, the Prime Minister nda Finance Minister, announced in presenting the budget for the year, writes Canute James in Kingston.

Mr Robinson, who was elected last month, said negotiations had started with potential creditors, which he did not name. Trinidad and Tobago's foreign debt last month stood at $1.55bn, he said, and debt servicing costs this year will be $472m, about 30 per cent of the Government projected revenues.

The Prime Minister said Government expenditure this year would be $2.3bn.

Guatemala rebels renew attacks

BY ANSON NG IN GUATEMALA CITY

LEFT-WING Guatemalan guerrillas have renewed their attacks on army personnel and economic targets in a bid to force the Christian Democrat Government of President Venecio Cerezo to the negotiating table.

Five soldiers were killed and eight others injured in a guerrilla ambush last week near Playa Grande, a remote settlement in mountainous terrain near the Mexican border. In recent months, two major oil companies—Exxon and Amoco, suspended field work in the wake of guerrilla sabotage on seismic equipment.

Coffee farms have also been under frequent threat of guerrilla raids.

Although the rebels have largely been subdued by the success of the army's counter-insurgency drive, these recent attacks prove that the guerrillas have survived. Western diplomats believe that the guerrillas, who operate under an umbrella organisation called the Guatemalan National Revolutionary Unity, the URNG, number less than 2,000.

The guerrilla presence has also allowed the military, who formally stepped down from power last year, to retain a large proportion of the state budget.

President Cerezo has indicated he is willing to consider the rebels' demands on condition that they lay down their arms and participate in the country's fledging democracy.

Only a few hard-core rebels have accepted the amnesty, which grants judicial immunity to the guerrillas as well as members of the military responsible for politically inspired violence committed between 1982 and January, 1986. The majority of those who have turned themselves in are Indian peasants, who previously sided with the guerrillas.

In recent years the military has turned from its scorched earth policy to trying to win the hearts and minds of the Indians. It has organised food for work programmes, set up civil defence patrols and strategic hamlets to control the movement of the rural population.

Since the civilian government came to office in January 1986, the civil defence patrols have become supposedly voluntary and the hamlets have been put under the guidance of civilian committees.

Nicaragua may free US man held for spying

NICARAGUA said it might release Sam Hall, an American accused of spying, as early as today because he is mentally ill.

"He is mentally disturbed, and that sort of illness could lead him to take dangerous decisions," the state-run La Voz de Nicaragua radio station said. It called his release "a humanitarian gesture."

Mr Hall, 49, was arrested at an air base outside Managua in December. He is the brother of US Congressman Tony Hall.

Ms Angela Saballos, a Foreign Ministry spokeswoman, said Mr Hall might be handed over to Mr Gary Froelich, a family lawyer, who arrived in Managua last night

Mr Hall was arrested on December 12 after taking a taxi to the air base.

WORLD TRADE NEWS

S Korea to liberalise imports and cut tariffs

By Maggie Ford in Seoul

SOUTH KOREA is to respond to pressure from the US and the European Economic Community over its growing exports by liberalising imports and reducing tariffs, Mr Raha Woon Bae, Minister of Trade and Industry, said yesterday.

In a new year speech outlining his ministry's programme for 1987, Mr Raha listed several measures designed to meet complaints from Washington that Seoul was not doing enough to reduce its $7bn trade surplus with the US.

The surplus is expected to rise to $10bn this year, partly because of South Korea's currency advantage over Japan's appreciating yen.

In his speech Mr Raha pledged that the South Korean Government would:

- Monitor shipments of textiles, cars and electronics to the US to make sure they were within agreed limits.
- Encourage companies to import parts and raw materials from the US and the EEC rather than Japan. This would *also* help Seoul to reduce its $4.5bn trade deficit with Tokyo.
- Where possible, import US-made parts to be assembled into finished goods destined for export to the US.
- Encourage further direct and indirect South Korean investment in US plants producing electronics, car parts and textiles.

Mr Raha said that South Korean car exports, which reached 300,000 units worth $1.3bn last year, were expected to reach 675,000 units this year. Annual production capacity would rise to 1.09m units from 583,000 last year.

In an effort to head off protectionist sentiment, Mr Raha said that South Korea would liberalise import rules for personal computers and large passenger cars in the second half of this year. He gave no details however of the proposed tariff cuts.

Du Pont in Indian joint venture deal

THE Indian industrial house of Thapar and Du Pont of the US have signed a joint venture agreement for manufacture and marketing of industrial nylon yarn and fabric, K. K. Sharma reports from New Delhi.

The total investment involved is about $100m. The factory, to be established at Goa in western India, will have annual turnover of over $120m.

Fiat and Daihatsu raise stakes over Polish plant

BY JOHN GRIFFITHS AND MARTIN DERRICK

FIAT is understood to have offered an Alfa Romeo model, the 33, for production by Poland's car company Pol/Mot in a bid to defeat a rival offer put to the Poles by the Japanese last week.

The Japanese proposal is to provide a plant, equipment and credit lines to manufacture a hatchback produced by Daihatsu, one of Japan's smaller car makers, which is owned by Toyota.

Both Fiat, the new owners of Alfa Romeo, and Daihatsu have been negotiating as rivals for many months over who should supply the plant, equipment and model to replace the Fiat 125-based medium saloon which Pol/Mot's FSO plant has been producing for nearly 20 years.

Until just two weeks ago, both companies were offering far-from-new models. Daihatsu's offer was for its Charade hatchback, first launched at the end of the 1970s. Fiat had offered first the B88, a development of the Ritmo/Strada, and a fortnight ago, the more modern Regata saloon during a visit to Italy by Gen Jaruzelski, the Polish leader.

The stakes rose sharply, however, during last week's visit to Warsaw by Mr Yasuhiro Nakasone, the Japanese Prime Minister, immediately after Gen Jaruzelski's return from Italy.

The Poles were told that Daihatsu would make available a completely new Charade range, which Daihatsu itself is not due to launch until the spring.

News of the new Daihatsu approach is understood to have reached Fiat a few days ago, prompting it to make the Alfa 33 offer.

Yesterday Fiat would neither confirm nor deny that the Alfa Romeo model had been put into the ring. A spokesman said only that "negotiations are continuing" on a replacement for the Fiat 125-based FSO car.

Polish motor industry sources indicated yesterday that they believed the terms of the latest Japanese package were sufficiently attractive to tip the balance in favour of Daihatsu, the Alfa 33 offer notwithstanding.

This is also in spite of misgivings about being the first Eastern Bloc car industry to enter a long-term relationship with a Japanese partner, and awareness that Japanese car penetration is a thorny trade issue in the West, to which Poland is deeply in debt.

Furthermore, Italy's Budget Ministry disclosed at the end of November that the Government's committee on industrial policy had approved an agreement in principle between Fiat and Pol/Mot providing for the export to Poland of about L2,350bn ($1.8bn) worth of machinery, equipment and parts and the import by Fiat of L2,000bn worth of cars from Poland between 1990 and 2000.

Japan to maintain US curbs

BY CARLA RAPOPORT IN TOKYO

JAPAN IS to maintain its voluntary restraints on car exports to the US at its current level of 2.3m cars a year.

The move, announced by the Ministry for International Trade and Industry (Miti) yesterday, is aimed at cooling protectionist sentiment in the US.

Despite the yen's sharp rise against the dollar, the Japanese trade surplus with the US topped $50bn last year.

Japan has operated a voluntary restraint system with the US since 1981, and the current extension will last until March 31 1988.

The maintenance of restraints, however, is likely to do little to reduce trade tensions.

All the major Japanese car makers are producing or planning to produce cars in the US.

The volume of cars built by Japanese companies in the US this year is expected to reach 200,000 units and, within a few years, the figure is expected to reach 1.6m units.

Even at the present restricted level of 2.3m cars a year, the combination of domestically produced cars and imports is likely to put more pressure on American manufacturers who claim that fewer Japanese cars should be allowed into the market.

Miti has advised Japanese companies to boost the local content of cars made in the US in order to head off this potential conflict.

UK export credit reform stalled

BY PETER MONTAGNON, WORLD TRADE EDITOR

PLANS TO reform Britain's system of medium-term export credit finance have stalled because of a row over its impact on the UK's Public Sector Borrowing Requirement (PSBR).

The row, between the Treasury and the Central Statistical Office (CSO), is over whether capital market refinancing by the Export Credits Guarantee Department (ECGD) of its export credit portfolio should be included in the PSBR.

Such refinancing forms part of proposals to reform the export credits system which evolved out of discussions between the British Government and the City on means of reducing the cost of subsidised fixed rate export finance.

The talks followed a government attempt to negotiate a reduction of interest margins paid to banks funding medium-term export credits which are guaranteed by the ECGD.

In outline, the new proposals, which have not been formally put to the banking community, call for cost savings to be effected through refinancing of ECGD credits in the capital markets, with the banks retaining a small annual fee instead of an interest margin in return for administering the loans.

Though commercial banks are reluctant to see any reduction in their return at a time when export credit business is generally seriously depressed, this solution was regarded as a compromise which might be preferable to an outright reduction in margins.

The refinancing would be carried out by a special vehicle company rather than directly by the ECGD itself, but in contrast to the Treasury, the CSO argues that the full total of such operations would have to be added to the PSBR.

Cost savings on interest to the government would thus be more than offset by an increase in the PSBR, although its cash outlay would be lower than before.

The impasse has proved a considerable embarrassment to both the ECGD and the Treasury which, originally, was instrumental in launching the effort to cut the cost of subsidising export credits. But bankers say it is unlikely to be resolved as long as the disagreement continues.

Steven Butler reports on an encouraging boost for Thai exports

Japanese money heads for Thailand

THAILAND is becoming a favourite spot for Japanese investors.

After languishing for nearly two years, Japanese direct investment in Thailand surged ahead in the third quarter of last year, bringing new investment commitments for registered capital to 950m baht (£24m) for the first nine months of 1986. That brought the year-to-date total to more than double the entire previous year and set the stage for a record.

Mr Tadao Morotomi, president of Jetro (Japanese External Trade Organisation) Bangkok, says the trend is sure to continue and, perhaps more important, new investors are setting up export operations.

The investment is part of the process of Japan recycling its huge capital surplus and responding to the competitive pressures caused by the appreciation of the yen. The Bank of Japan recently said that total Japanese foreign direct investment would rise by 50.2 per cent to $2.99bn in the fiscal year to March 31.

Much of that investment is headed for North America and Europe, where Japanese manufacturers hope to reduce trade friction and to be closer to markets, while taking advantage of a skilled labour force that has become more competitive.

Japanese companies invested in Thailand in past years principally to circumvent import barriers and establish themselves in the local market.

Virtually all the familiar names can be found in Thailand. Toyota, Nissan and Honda have set up joint venture companies to supply the domestic vehicle market. Mitsubishi, Mitsui, Toshiba and Hitachi are each producing consumer electronic goods, but not for export.

Mr Morotomi says, however, that recent investors in Thailand have come to set up export bases and companies already on the ground are gradually expanding with an eye to exports.

The main attraction is cheap labour, but there is far more behind the trend.

A feeling is growing among many foreign businessmen and diplomats in Thailand that the nation is headed broadly in the right direction and is gradually fashioning a system which increasingly resembles Western democracy and free market capitalism.

Although a history of relatively frequent military coup attempts hardly seems the stuff of political stability, the last successful coup was a decade ago and has been followed by relative calm. The last attempted coup, in the fall of 1985, fizzled out in a day and seemed to underline the degree to which civilian institutions had taken root.

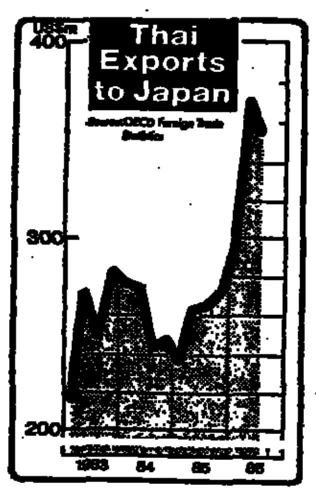
The military still has a strong influence which limits democracy, but there is none of the lingering tension found in countries like South Korea or Indonesia. The press in Thailand is one of the freest and best quality in Asia.

With a large population of 55m, the Thai domestic market is increasingly attractive as the economy steadily grows. Thailand looked a bit of a laggard in the boom days of the 1970s, when Malaysia, Singapore, and Indonesia thrived on high commodity prices.

But as these other economies fell into recession, Thailand pushed on with reasonably strong growth of 5 per cent expected for this year. This should keep the domestic market attractive for investors aiming to sell to a middle class that has a growing taste for manufactured goods.

Industrial wages in Thailand, at just over 2,000 baht per month, have also begun to look extremely competitive as labour costs have risen in Southeast Asia's newly industrialised countries—South Korea, Hong Kong, Taiwan and Singapore. While these other nations may justifiably attract investors interested in a more highly skilled workforce or a more highly integrated industrial structure, they are too high for many types of industries.

With the high yen having knocked out many of Japan's more labour intensive industries, Thailand is a natural choice.



Investors aiming at export markets have so far concentrated on industries that do not require high skill levels or a well developed infrastructure. Japanese businessmen say that their Thai-produced consumer electronics goods still do not measure up to international standards.

Mr Morotomi, none the less, points to a number of industries that have attracted strong interest—aquaculture and food processing, garments, toys, ceramics, plastics and jewellery.

In the field of metal working, which requires a high degree of labour input, Minebea, the giant Japanese bearing manufacturer has found a happy home. The largest Japanese investor in Thailand, it set up shop in 1980 and now employs 4,000 local people producing entirely for export, mainly to Japan.

In 1985, Minebea exported $50m of bearings from Thailand and 1985 exports were running 46 per cent ahead. Minebea is continuing to expand the operation.

Minebea alone has had a substantial impact on the balance of trade between the two nations and has helped ease trade tensions. In 1985, Thailand had a $1bn trade deficit with Japan; at the end of September 1986, this was reduced by some 40 per cent compared with the same period of 1985.

Other Japanese investors aimed entirely at the export market include Hoya, the lens manufacturer, and Fujikura Densen, which is making computer components.

Several joint venture projects aimed at exporting automobile engines and, perhaps, assembled vehicles are still in the works.

Investors are not without complaints. Approval procedures are complex and slow. Poorly developed roads, an inadequate telephone system and shallow ports that will not accommodate large container ships or bulk carriers, are also an impediment. These are expected to improve gradually.

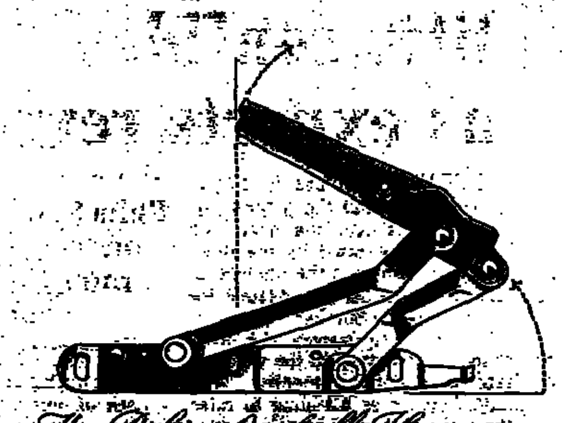
Thai investment laws allow 100 per cent foreign ownership of factories, provided 80 per cent of goods are exported. The government also selectively allows eight year income tax holidays and reductions on import and business taxes on machinery.

Senior Japanese officials travelling recently in Thailand with Trade Minister Mr Hajime Tamura called for Thailand to ease visa requirements for Japanese nationals and to relax equity ownership restrictions. But after publicly prodding the government, one official privately gushed about the investment climate. "It's the best in South-east Asia," he said.

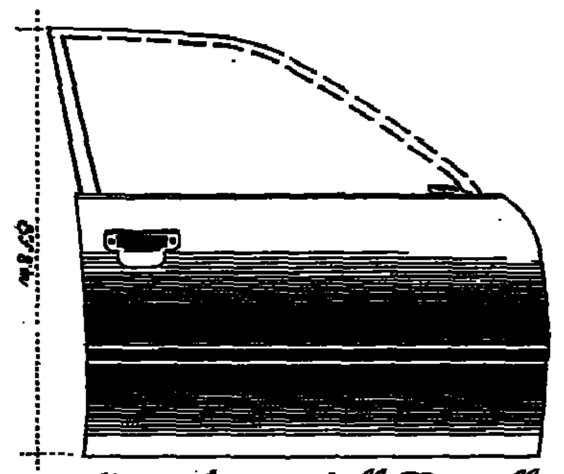
Nº LXIX

The New Audi 80

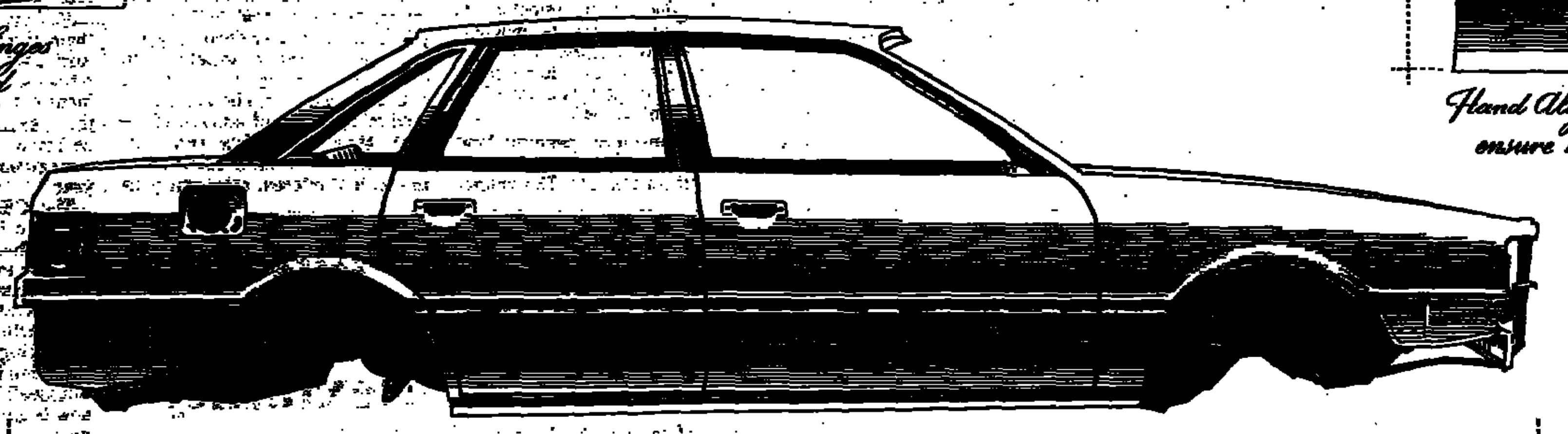
Instructions for the skilled craftsman



The Bolting On of all Hinges is to be greatly Preferred



Hand Aligning of all Doors will ensure the Smoothest Operation



Hand Smoothing of the Welded Seams contributes to a Fine Finish

Dr Ferdinand Piëch

Head of Research and Development at Audi

The way Audi build the new 80 is positively antique.

If a robot existed that could craft a Chippendale chair better than a trained human being, Audi would employ it.

Because for the new 80, only the best will do.

[illegible]

[illegible] grinding them into oblivion.

Like using their eyes and ears to align the doors correctly.

[illegible] within the extremely fine tolerances allowed.

Like [illegible] hinges with [illegible] much more enduring, nuts and bolts (robots can [illegible]

Audi believe it's worth going to [illegible] lengths to build the new 80, because they [illegible] to design [illegible]

The new 80's body not only looks as slippery as a bar of soap, but its Cd factor of 0.29 is a world beater for the class.

Determined to beat rust once and for all, Audi took the radical step of zinc-galvanising the very sheet steel from which the car is cut.

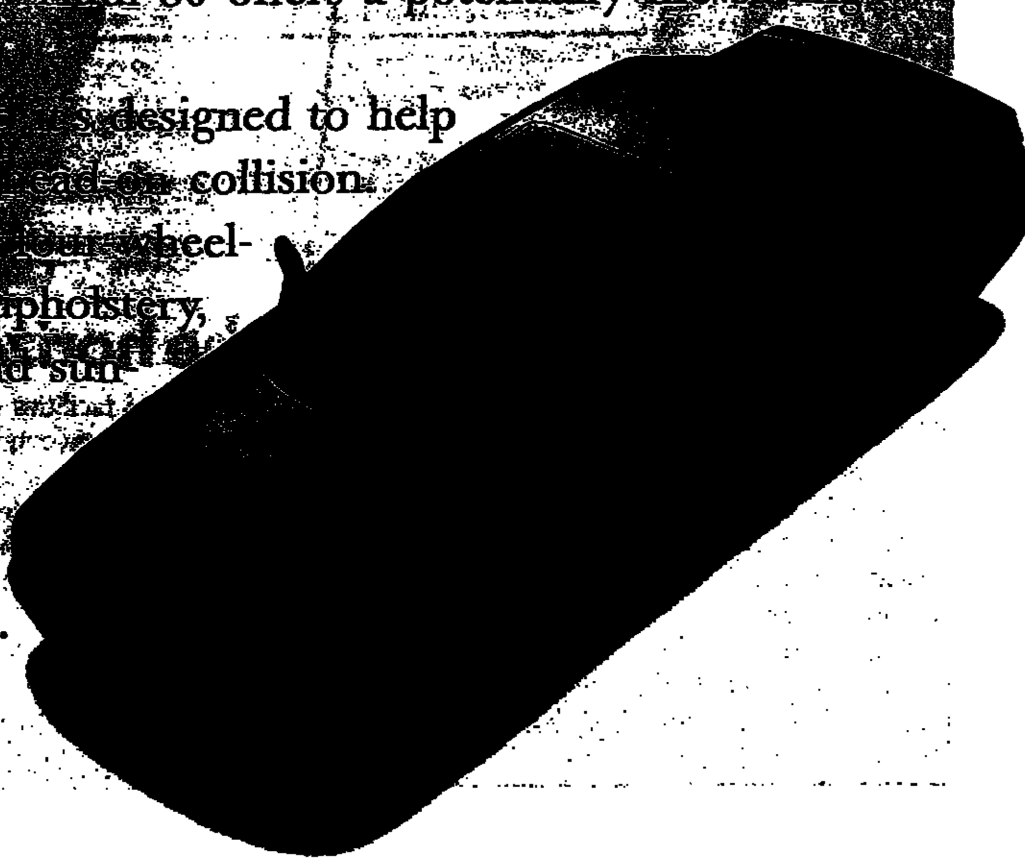
And where your safety is concerned, the new Audi 80 offers a potentially life-saving device available on no other car in the world.

It's an Audi invention called Procon-Ten and it's designed to help keep your head and the steering wheel apart in a head-on collision.

Other options on the new Audi 80 include four wheel-drive, ABS, a fuel-injected 112bhp engine, leather upholstery, one-touch electric windows, electric door mirrors and sun roof, air conditioning.

If Mr Chippendale were alive, he might well describe the new Audi 80 as a motor car eminently suited to the gentleman of taste and discernment.

You might well describe it as The Business.



THE NEW AUDI 80

THE NEW AUDI 80 STARTS FROM UNDER £10,000 EXCLUDING NUMBER PLATES AND DELIVERY. BROCHURES AND PRICE LISTS FROM AUDI INFORMATION SERVICE, YEOMANS DRIVE, BLAKELANDS, MILTON KEYNES MK14 5AN. TEL: (0908) 679121. EXPORT AND FLEET SALES, 95 BAKER ST, LONDON W1M 1FB. TEL. 01-486 8411.

Recession hits Plessey military radio plant jobs

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

PLESSEY, the UK electronics group, is cutting the workforce of its military radio plant at Ilford, Essex, by 20 per cent over the next three months because of a world-wide recession in the industry.

The announcement follows months of speculation about the future of the Ilford facility after a steady trickle of redundancies over the last two years. But Plessey moved yesterday to scotch further rumours by emphasising that it intended to maintain a "significant presence" at the site. A multi-million pound investment in new facilities is being planned for the factory, it said.

Under the proposed redundancies, the present Ilford workforce of 1,800, which stood at almost 2,500 in early 1985, will be reduced by 380 over the next three months. Details of the proposed redundancy package, which was being discussed with union leaders yesterday, have not been disclosed. But Plessey said the cuts would be made in all departments of the company.

Production at Ilford, a large, traditional plant, has been hit in the last few years by a generalised slump in the tactical radio market for military and para-military applications. In the UK, orders for Plessey's Ptarmigan battlefield radio system have not come through as fast as expected, and overseas the company was beaten in an important contract to supply the same product to the US forces. Ilford makes parts for Ptarmigan.

Mr Robert Fisk, managing director of Plessey Military Communications, said that the fresh investment in the company would "embody all the latest advances required to under-pin our long-term competitiveness."

Scotland 'has lost 14,000 jobs related to oil'

BY JAMES BUXTON

SOME 14,000 jobs in activities wholly related to the oil industry have been lost in Scotland since the beginning of last year, according to a survey by the Manpower Services Commission, (MSC).

The MSC is assuming that there were 65,000 wholly oil-related jobs in Scotland at the end of 1985, which suggests that there are now only 51,000 people in Scotland wholly engaged in oil-related activities.

When account is taken of employment indirectly related to the oil industry, the number of jobs lost rises to about 20,000, according to the MSC.

The figures were given out by Mr Malcolm Rifkind, the Scottish Secretary, at a speech in Glasgow. He said that two thirds of the job losses had occurred in the second half of 1986 and that the bulk of the jobs had been lost in Grampian region, which includes the oil industry centre of Aberdeen.

INDEPENDENT FORECASTERS POINT TO MANOEUVRE FOR LAWSON

Budget scope 'for £2bn tax cuts'

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

MR NIGEL LAWSON, the Chancellor of the Exchequer, will find room for more than £2bn of tax cuts in his March 17 budget, according to the latest survey of the main independent economic forecasters.

The survey is in tune with growing confidence in Whitehall that Mr Lawson will further boost the Government's electoral hopes with a sizable reduction in the basic rate of tax. Despite a deliberate attempt by the Treasury to play down expectations, some Whitehall officials are talking of tax cuts worth £3bn.

The monthly assessment of the consensus among independent economists, which is compiled by the Treasury, points to a "fiscal adjustment" of £2.3bn in the 1987-88 financial year, enough to cut 2p off the basic rate of tax.

AVERAGE OF FORECASTS

	1986	1987
GDP (% change)	2.3	2.7
Retail Price Index (% change 4th qtr)	3.4	4.9
Exports (% change)	1.4	3.8
Imports (% change)	4.8	5.5
Current account (£bn)	-0.3	-3.0
PSBR (£bn financial years)	7.5	9.5
Short-term interest rates (% 4th qtr)	10.8	10.1

The forecasters are also predicting a rebound in economic growth this year, but say that it will be accompanied by higher inflation and a sizable deficit on the current account of the balance of payments.

The average of their forecasts for output suggests that the economy will expand by 2.7 per cent this year compared to the 2.3 per cent rise in output seen in 1986.

Consumer spending, projected to increase by 3.7 per cent in 1987, and buoyant exports are expected to provide the main impetus to growth. The average of independent forecasts suggests a 3.8 per cent increase in the volume of exports this year, against a rise of only 1.4 per cent in 1986.

Strong consumer spending, however, is likely to generate even faster growth in imports. The volume of imports is forecast to rise by 5.5 per cent this year after an increase of 4.8 per cent in 1987.

That, alongside a fall in overseas revenues from North Sea oil, is expected to lead to a £3bn deficit on the current account, double the shortfall being forecast by the Treasury.

Economists outside Whitehall are also more pessimistic than the Government about the outlook for prices, with the consensus suggesting that the annual inflation rate will be 4.9 per cent by the fourth quarter of the year. The Treasury is predicting a rate of about 3.75 per cent. Most economists anticipate, none the less, a small reduction in the level of interest rates this year.

Shell signs first 3-year wage deal in petrochemicals

BY DAVID BRINDLE, LABOUR CORRESPONDENT

PROCESS WORKERS at Shell UK's oil refinery at Stanlow, Cheshire, have agreed a three-year wage deal under which they will receive no further basic pay rises until 1990.

The deal, said to be the first three-year pay agreement in petrochemicals and highly unusual in the wider context in having a single "up-front" increase, is being seen as a crucial pre-condition for further investment at Stanlow.

Shell has invested approaching £400m at the refinery, its largest in the UK, over the past five years. The local management believes the stability created by the three-year pay deal will help make the case for a further £500m.

Projects on the drawing board include new bitumen production plant, the up-grading of gasoline output and introduction of facilities to recover chemical feedstocks downstream of the £180m replacement catalytic cracker, presently under construction.

The pay deal, agreed with the Transport and General Workers' Union, gives the 900 Stanlow process workers a pay rise of 9.3 per cent from January 1. Shift and other allowances increase proportionately, producing gross annual earnings before overtime of £14,791 for a process operator working a continuous five-shift pattern, and £15,747 for a leading shift operator.

Only shift rates, considered below average for the industry, will rise again during the three years of the agreement.

What seems to have clinched the deal is provision for a 2 per cent bonus in each of the three years "in respect of the length of the settlement." This, together with an existing annual 3 per cent efficiency bonus, has been paid in advance as a single lump sum worth £1,676 for a process operator and £1,833 for the higher grade.

The deal was accepted only narrowly, by a 152-138 vote at a poorly-attended TGWU meeting, although the senior shop stewards had recommended acceptance in view of Shell's determination to have a three-year settlement.

Mr Ian Chaloner, chairman of the stewards, said: "We have taken a risk; we have taken a gamble. If it doesn't pay off, I would think our members are going to be telling us they are not happy and that we should try to go back in to meet management again."

Shipyard agrees flexibility deals

By Our Labour Editor

SWAN HUNTER has reached wide-ranging wage and flexibility deals for its 4,200 shipbuilding employees which include new procedures for resolving industrial disputes. It is the first pay agreement since the yard in North East England was privatised.

The deals, which provide for two-year agreements covering managerial, clerical, technical and manual employees at the company's Wallsend and Neptune sites, are backdated until April last year and will run until the end of March 1988.

They include:

- Total labour mobility between the company's sites;
- New consolidated pay rates, which will push pay for a skilled worker from the old level of £134.57 to £153 from last April and to £160 from the beginning of this year. Corresponding figures for unskilled employees are £109.91, £123.41 and £129.06;
- Rates include stages new money increases of 7.5 per cent from the beginning of this year;
- A move to a 4½ day week, based on 39 hours, by July 1987;
- Introduction of payment by credit transfer, for which a payment of £50 is being made;
- Commitment to overtime and shift working.

The new recognition and procedure agreements signed by the company and the Confederation of Shipbuilding and Engineering Unions rule out officials industrial action until beyond the final stage of the procedure through the use of "cooling off" period for both sides.

British Shipbuilders, of which Swan Hunter was once part, has concluded its own two-year pay deal, also backdated to last April, introducing a rationalised wage and salary structure for all manual and staff employees at its five yards.

It provides for a common craft rate of £158.06 and a framework for local-level discussion and agreement on efficiency improvements, including the use of sub-contracted and temporary labour.

Increasing output lifts confidence as exports revive

Philip Stephens reports on the CBI's latest Industrial Trends Survey

A SIZEABLE increase in output since October and the prospect of further gains over the next four months are reported by manufacturing companies in the Confederation of British Industry's latest Industrial Trends Survey.

The quarterly survey also foreshadows an upturn in the inflation rate over coming months, with more companies planning to raise their prices than at any time since April 1985. The planned price rises reflect a gradual increase in manufacturers' costs since October and the expectation among businessmen that the trend will strengthen in the early part of this year.

The CBI says that the returns from the 1,451 companies responding to the survey indicate that the increase in output and orders in recent months has been accompanied by a revival of business confidence.

In particular, industry appears to be reaping the benefit of last year's sharp fall in sterling's value against European currencies, with exports now beginning to show a sustained revival.

The stronger performance in both domestic and overseas markets have apparently prompted manufacturers to step up their investment plans. The need to increase efficiency rather than a desire to expand output remains, however, the main impetus to higher capital spending.

As a result companies are still planning further reductions in their workforces, albeit at a slightly lower rate than last year. The CBI estimates that the number of jobs in manufacturing will fall by around 7,000 to 8,000 a month during 1987.

Business Optimism: Replying to the question on business confidence, 66 per cent of companies said that their level of optimism was the same as in October, while 23 per cent were more and 11 per cent less optimistic.

The resulting percentage balance of 12 per cent (the proportion reporting a rise minus those reporting a fall) compares with a balance of zero four months ago and is the best since April 1985.

Output and Orders: The latest survey confirms the expectation of higher output reported in October and suggests that performance will improve further over the next four months.

A balance of 9 per cent of companies said they had increased output over the last four months and a balance of 15 per cent said they anticipated higher production over the next four months. The CBI says that forecasts of increased output are spread across all the main industrial sectors.

The increase in output is borne out by a boost to orders since October, with a balance of 14 per cent of respondents saying that their order books had grown. With the exception of mechanical engineering, which reported no change, the improvement was felt by all industries.

For the next four months, a balance of 20 per cent said they expected increased orders, the highest figure for nearly two years. Only 3 out of 50 industrial sectors are expecting a fall in orders.

Capacity and Constraints to Output: The survey shows little change in capacity utilisation with 50 per cent of companies reporting below capacity working compared to 49 per cent in October.

Lack of orders or sales was reported as the overwhelming constraint on output with a balance of 82 per cent citing it as the major factor. The number of firms reporting shortages of skilled labour as a constraint has fallen from 12 to 9 per cent, largely because of large improvements in two industries – office machinery and data-processing equipment, and electronic industrial goods.

The CBI says that skill shortages continue to be serious among companies with fewer than 500 workers and in the capital goods sector.

Employment: Manufacturers have continued to reduce their workforces since October despite the upturn in output, with a balance of minus 16 per cent reporting a decline in the number of jobs. Only small businesses have increased employment.

For the next four months a balance of minus 9 per cent predict a further reduction in their workforces, suggesting that the rate of job losses will slow somewhat as new orders are translated into higher output.

Costs and prices: The good news from the latest survey is clouded by the outlook for costs and prices in manufacturing industry. A balance of 15 per cent of companies said that their costs had risen over the past four months, and a balance of 29 per cent said they foresaw an increase in the next four months. The latter figure is the highest since April 1985.

A similar trend is clear in factory gate prices.

The CBI says that this suggests that the annual inflation rate will be up to 4.5 per cent by April, compared to the latest official figure of 3.7 per cent for December 1986.

Exports: The sharp fall in sterling's value last year and the resultant competitive gains for British manufacturers have led to a significant improvement in the outlook for exports, the CBI survey shows.

A balance of 7 per cent of companies said that their export deliveries had increased since October, while a balance of 21 per cent anticipate higher overseas sales over the next four months.

Export prices, however, are also forecast to show significant increases, with a balance of 29 per cent reporting that they planned to raise prices.

Investment and stocks: The survey suggests a pick up in investment over the next year, with CBI forecasts based on the results indicating that capital spending in the first nine months of 1987 will be 4 per cent higher than a year earlier.

Companies are still, however, running down their stocks of raw materials and are holding smaller inventories of finished goods.

CBI Quarterly Industrial Trends Survey, January 1987, CBI Economic Trends Department, Centre Point, New Oxford Street, London WC1A 1DU. Annual subscription £110 for members, £176 for non-members.

Defence ministry property 'not giving best value for money'

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

PARLIAMENT'S watchdog over the way government departments spend their money has sharply criticised the Ministry of Defence (MoD) for not obtaining the best value for money from its huge estates. The MoD is one of the largest property owners in the UK.

Sir Gordon Downey, comptroller and auditor-general, the head of the National Audit Office, said in a report published yesterday that the MoD and the Property Services Agency "should prepare a strategic plan for the whole estate."

The PSA acts as agent for the MoD in managing and maintaining the estate but is accountable to parliament for most defence works expenditure.

This strategic plan, Sir Gordon said, should be aimed at maximum rationalisation of the estate, "including multi-service occupation of single sites, and at achieving a cost-effective balance between capital investment and maintenance expenditure." The MoD occupies 220,000 hectares and has rights to a further 36,000 hectares. But the market value of this estate has never been properly assessed.

The PSA carried out in 1982–83 what Sir Gordon called "a very broad-brush desk exercise" and decided its saleable value was £8.9bn, but its replacement cost would be £50bn.

Current spending on the estate takes up 8 per cent of the defence budget and for 1986-87 is put at £1.4bn.

The MoD recognised that its land holdings were too large for its purposes, Sir Gordon said, but it had no means of systematically reviewing its holdings. Long delays have been taking place on the disposal of surplus property and, in any case, there is a dearth of information on asset values.

Buildings are deteriorating through inadequate maintenance, the NAO charged, and funds are not available to prevent further deterioration. Information needed to manage the land holdings is fragmentary and the development of management systems has been uncoordinated.

The NAO further observed that of the MoD's stock of 84,000 properties for married quarters, no less than 17 per cent is vacant. Each armed service manages its own married quarters without reference to the other services.

British Rail profits 'unlikely'

BY ANDREW FISHER IN FRANKFURT

A SHARP RISE in redundancy payments means that British Rail is unlikely this financial year to repeat the small profit made in 1985-86 after government subsidies, Sir Robert Reid, the chairman, said.

Sir Robert, in Frankfurt for talks with Deutsche Bundesbahn (German Railways), said redundancy payments in the financial year to March 31 1987 would exceed £50m mostly because of the heavy job losses at British Rail Engineering (Breil).

"It could be that this will prejudice our ability to show a small profit," said Sir Robert, noting that the financial benefits would be felt in later years. In 1985-86, BR showed a £1.2m surplus after government and local authority grants of £896m against a loss in the previous 15 months of £420m.

Sir Robert said BR expected to meet the target set by the government of a 25 per cent reduction in central government financial support to under £750m in the three years to March 31 1987.

He also expressed confidence that BR would reach the newlyset goal of a further 25 per cent reduction to around £550m in government support for passenger services by March 1990. It is demanding, but quite achievable," he commented.

On the Channel Tunnel project, he said BR was still talking with SNCF (Frenh Railways) about the large trains to be built for the tunnel. While the French wanted their TGV high-speed train to be the basis of the new trains, he said there were also British designs. German Railways is also involved in the talks.

Sir Robert said the advantages of a tunnel would be much greater if the proposed high-speed lines linking London, Paris, Brussels, Amsterdam and Cologne were given the go-ahead.

UK NEWS

THE GUINNESS AFFAIR: David Goodhart asks: Is the Takeover Panel doomed? Clive Wolman assesses the law

When gentlemen refuse to play by club rules

IS THE Takeover Panel doomed? As the final institutional embodiment of the City of London as a self-regulatory gentleman's club, it has become an anomaly hungrily-eyed by politicians keen to prove they are doing something about the City.

Even the Bank of England, which lobbied hard for the Panel's independence from the regulatory Securities and Investments Board (SIB), has now said that reform may be inevitable.

Change is not imminent. The Panel itself will try to head off some criticism by amending its rules to require greater transparency in share transactions, and the Government is not going to rewrite the Financial Services Act over the next few weeks in order to incorporate the body into the SIB. However, once the Department of Trade and Industry (DTI) inspectors have reported on the Guinness affair, parliamentary time may be made available for just such a move.

Whether or not the inspectors report criticises the Panel, the latest wave of political hostility has certainly been prompted by its failure to spot apparently major breaches of its own code (and company law) during the Distillers takeover.

But is this criticism fair? In the latter stages of the Distillers bid Samuel Montagu (the merchant bank of rival bidder Argyll) did claim to the Panel that Guinness was breaking the code rules on associates and concert parties. But it had no hard evidence to support its hunch and the names of possible hidden associates of Guinness that it did put forward turned out to be wrong.

Nevertheless should the Panel have done more to ascertain the truth about associates and indemnities than simply ask Morgan Grenfell if there was any substance to Montagu's suspicions? And would the stiffer sanctions and investigation powers provided by a legal framework have made it any easier to track the misdemeanours?

A significant minority of City practitioners now believe that a statutory panel is necessary and desirable, but the past few days has also seen a closing of City ranks around the Panel in the face of political attack.

Many merchant bankers clearly equate the "lawyers' paradise" of a statute-backed code with a bankers' hell and even Samuel Montagu now insists that the Panel could have done no better in the circumstances.

It may be the case, the argument runs, that the Distillers bid proves the need for a more vigorous investigatory agency – run by poachers turned gamekeepers with the skills of cross-examination and the powers of summons and search. But it should be slotted into the existing DTI inspectorate or the SIB, and not foisted on the flexible and fast-moving Panel.

The Panel was certainly never envisaged as an investigatory agency. It was established in the late 1960s following a series of takeover scandals involving sharp discrimination betweem different groups of shareholders which was not prevented by company law.

Panel members, drawn from a range of City bodies including the Stock Exchange, investment institutions and clearing banks, meet only rarely and delegate the administration of the code to an executive of about 10 seconded merchant bankers and lawyers. Its powers are limited to public censure and the discretion to waive its own rules.

Those rules are often widely drawn and cover such areas as the quality of information provided by bidders, the number of shares a bidder can acquire in a target before making a full bid and the limits to share-buying by associates of a bidder.

The Panel has, until recently, been regarded as a relatively successful institution. The most frequent complaint has been of its over-cautious and legalistic style when it should have been sitting hard on the more aggressive, rule-bending, merchant banks. A few outsiders such as the financier Jim Raper have flouted its rulings but have not been a threat to its legitimacy.

The trouble now for the Panel is that the Guinness affair has brought undetected rule-breaking to the heart of the City establishment, and it is hardly enough to say that company law was also broken.

To work without statutory powers of investigation and punishment the Panel needs the acquiescence of practitioners in two respects. Its rulings must be accepted and practitioners must tell the truth when questioned.

Unless the Guinness affair is an extraordinary aberration, the second condition of the Panel's successful operation appears to have been blown away by the increase in scale and competitiveness of modern takeovers. At least a few of the gentlemen no longer play by club rules.

For the next few months the pendulum will no doubt swing back towards caution and the more aggressive corporate financiers will be restrained, but the underlying cause of takeovers and of competition between banks has not been removed. The Panel's rules (and company law) could soon be under threat again.

One response to these doubts has been to call for "men, not measures." While admitting that some steps could be taken to tighten up the code – such as lowering the disclosure requirement from a 5 per cent stake to 1 per cent and making the use of nominee accounts more difficult – the thrust of this complaint is that despite its small size the Panel has become bureaucratic and weak-willed.

This school argues that a statutory framework would not have helped dig up the various breaches of the code in the Distillers bid, but a more vigorous response to Montagu's complaints could have got somewhere.

Why, for example, were all the brokers dealing in Guiness shares not hauled in and cross-examined? What co-operation was sought from the Stock Exchange when Guinness's share price shot up?

Apart from being unfair on the current director-general, Mr John Walker-Haworth, that argument does not recognise that the climate has changed. Until the Guinness affair some merchant banks were almost competing for slaps on the wrist from the Panel on the assumption that it was good for business.

The other major argument is that, if the code – essentially a supplement to company law – is considered important enough, why not simply give it statutory backing? The advantages are that a merchant banker facing a fine or imprisonment for breaking the rules is rather more likely to think again than if he merely faces censure.

Act gives clue to possible charges

TWO of Britain's most prominent business leaders ending their careers in court and facing the risk of imprisonment – that would be the most dramatic finale of the Guinness affair.

The prospect of such a fate has been rising steadily over the last two weeks for Mr Ernest Saunders who has been dismissed as chairman and chief executive of Guinness, and Mr Gerald Ronson, still firmly entrenched as head of the Heron Corporation, the UK's second largest private company. The Government has responded to mounting political pressure by giving increasingly explicit assurances that prosecutions will be brought against the leading characters if sufficient evidence is uncovered.

Both Mr Michael Howard, the corporate and consumer affairs minister, and Mr Nigel Lawson, who as Chancellor of the exchequer, has only a tenuous link with the affair, have emphasised that prosecutions could be brought even before the Department of Trade and Industry (DTI) has completed its investigation.

The offences with which the leading characters in the Guinness drama could be charged, if at all, relate to their attempt to manipulate the Guinness share price during the takeover battle for Distillers last year. Possibly as much as £500m, some of it Guinness's own money, was spent trying to boost the Guinness share price artificially and enhance the value of its share offer to Distillers shareholders.

Perhaps surprisingly, confessions have already been made by some of the protagonists, in particular Mr Ronson, Mr Oliver Roux, the former Guinness finance director, and Mr Roger Seelig, Guinness's merchant bank adviser during the takeover bid who has resigned as a director of Morgan Grenfell. Their confessions which were made to the DTI inspectors may have already removed some of the defences they could have used in a criminal trial. The substance of Mr Ronson's confession has also been published in a letter.

The DTI inspectors have the power to compel witnesses to testify. But at least on one interpretation of the law, if a witness refuses to do so, he may still be excused from imprisonment for contempt of court by explaining that he is not willing to incriminate himself.

According to Mr Tony Wallenberg, of the law firm Rakisons, who formerly worked in the DTI: "Some of these people might have been better advised to have said nothing, rather than rushing to make confessions."

Nevertheless, a series of prosecutions against them may fail because of the obscurities of the relevant sections of the Companies Act which have never been tested in either a civil or criminal court of law.

According to Mr Robert Pennington, professor of commercial law at Birmingham University: "Judging from past experience, the Government is likely to use a blunderbuss approach and bring about 20 charges in the hope that one will stick. Then, if the courts let them off, they can blame the judges and their conservative, narrow interpretation of the law."

The most obvious offence relevant to this case is that of stock market manipulation. But it was only made a criminal offence under the Financial Services Act of last year. The clause has not yet been brought into effect and will not be applied retrospectively.

The Guinness share operation may also have breached the Theft Act provisions against obtaining pecuniary advantage by deception. Distillers' shareholders, it could be argued, were deceived by the market manipulation into over-valuing the Guinness offer. The pecuniary advantage would refer to the additional salary that Mr Saunders would have expected to earn – and did earn – as head of a greatly enlarged company. However, the Theft Act requires dishonesty to be proved. And Mr Saunders has consistently argued that he honestly believed that all his actions during the bid battle were taken in the interests of the company.

In the 19th century, several stock market manipulators were charged with the ancient common law offence of conspiracy to defraud, which is cast in much wider terms than the Theft Act. But this offence has not been applied to securities manipulation since 1878 and the Director of Public Prosecutions has shown increasing reluctance to invoke it.

Thus, the most likely charges are those based on technical offences under the Companies Act. The two most relevant are the prohibitions against a company buying its own shares or giving financial assistance to the purchasers of its own shares, except in limited circumstances. Section 151 of the 1985 Companies Act says that any officer in default of the no-financial-assistance provision, which would cover a director who turned a blind eye, could, on conviction, be fined or imprisoned.

Both Mr Ronson and Bank Leu of Zurich have already admitted that Guinness directors gave them financial assistance, in the form of indemnities, to buy Guinness shares. Mr Ronson might, therefore, face a charge of being an accessory to the offence.

No prosecutions have been brought under this section of the Act since it was introduced in 1980. Mr Jim Slater was charged under an earlier version, which dates back to 1929, in the mid-1970s, but the charges against him were dropped.

The section contains one important defence. A company may give financial assistance if it forms only an incidental part of some larger purpose and the assistance is given in good faith in the interests of the company. This clause was introduced in 1980 so as not to catch small amounts of incidental assistance, says Mr Dan Prentice, a fellow in law at Pembroke College, Oxford.

But, according to Prof Pennington, giving financial assistance to boost a share price and help win a takeover bid might not be considered "incidental". Moreover, he says, the elaborate attempts taken by Guinness directors to conceal the transactions would be strong evidence of lack of good faith.

Nevertheless, many of the solicitors and barristers, representing the possible defendents, have been preparing defences which rely on this section and on the heavy burden of proof required in criminal cases. As Mr Prentice says: "There are real difficulties in using the criminal law to enforce the companies legislation. It would be a more sensible approach to harness the civil law and make it easier for private individuals to sue."

BT to lose equipment checking monopoly

Financial Times Reporter

BRITISH TELECOM's monopoly power to approve the installation of any new telecommunications equipment at business premises is to be suspended. It is the first intervention in the telephones dispute by the Office of Telecommunications (Oftel), the industry's regulatory body.

Although private contractors may install equipment, under present regulations BT has to carry out final inspection to ensure the equipment has been correctly linked to the network. That requirement is expected to be suspended with an announcement today.

The change will come as the industry's pay and conditions strike continues to spread. Yesterday, the 34,000 strong National Communications Union's (NCU) clerical group started a three-day strike joining the 110,000 engineers who went on indefinite strike on Monday.

Oftel's inervention has been made with BT's agreement, but will lead to demands that this part of BT's monopoly should be removed permanently.

The engineers' dispute has meant that BT has been unable to carry out inspections of new equipment

Younger welcomes reduction in cost of Trident missiles

BY PETER RIDDELL, POLITICAL EDITOR

THE COST of the Trident missile programme has fallen by £546m over the past year in real, inflation-adjusted terms – even excluding the favourable impact of exchange rate changes. The revised estimate is £9.26bn.

The change, announced in the House of Commons yesterday by Mr George Younger, the Defence Secretary, is the result of the annual reassessment of the cost of the programme.

Officials said the revisions were spread broadly, although they included the lower than previously expected costs of servicing the submarines in the US. Moreover as the programme develops, a changed view is taken of possible future costs and allowances for contingencies over its 10 to 15 year life.

The reduction was eagerly seized upon by Mr Younger to counter charges by Mr Denzil Davies, Labour's defence spokesman, that Trident would result in cuts in conventional forces.

Mr Younger also yesterday signalled the start of a concerted campaign to promote the Government's defence policies and to attack those of the Opposition parties.

He strongly attacked Labour's plans as threatening to undermine the cohesion of Nato in a letter to Mr Neil Kinnock, the party leader, a theme which was also taken up by Sir Geoffrey Howe, the Foreign Secretary, in a major lecture in London.

The campaign will also involve a government statement on alternatives to Trident and an official video on the deterrent together with a series of speeches and mass leaflets.

One result of the rise in the pound and a big cut in the estimated real cost of the US component has been to increase the UK share of the revised estimate from 55 to 62 per cent, the highest recorded level.

So far some £820m has been spent on the project and commitments totalling £2.75bn have been made.

Mr Younger announced that on average the programme would provide some 7,500 direct and some 6,000 indirect jobs over the life of the programme, with the figures rising to 15,000 direct and 12,000 indirect in the peak years.

He also said that there had been no slippage in the expected date for the first submarines to enter service in the mid-1990s.

● FT COMMERCIAL LAW REPORTS

Shipowners' carelessness cost them their right to indemnity

NAVIERA MOGOR SA v SOCIETE METALLURGIQUE DE NORMANDIE
Queen's Bench Division (Commercial Court): Mr Justice Staughton: December 11 1986

A SHIPOWNER'S right to indemnity against the consequences of signing inaccurate bills of lading presented by charterers is lost if the master's negligence intervenes between presentation and signature so that the loss is caused not by presentation, but by the intervening negligence.

Mr Justice Staughton so held when dismissing an appeal by plaintiff shipowners, Naviera Mogor SA, from an arbitrators' decision that they were not entitled to be idemnified by the defendant charterers, Societe Metallurgique de Normandie, in respect of their loss arising out of a claim by receivers of cargo.

HIS LORDSHIP said that on December 6, 1979, Nogar Marin was chartered to carry a cargo of wire rods from Caen to Tampa.

The cargo was manufactured and supplied by the charterers. After discharge at Tampa the vessel proceeded to New Orleans where she was arrested at the suit of the receivers of the cargo.

The receivers' claim was based on the fact that the wire rods were rusty when delivered at Tampa. They had an estoppel against the shipowners because the bills of lading stated that the goods were shipped in apparent good condition. The claim was settled for $86,462 and the shipowners incurred legal costs of £28,173.

The shipowners then claimed against the charterers before arbitrators in London. The arbitrators found that the rods were rusted before shipmoat. They also found that the master of the vessel was negligent in failing to record on the mate's receipt that the cargo was damaged before shipment so as to ensure the ship's agents did not issue clean bills of lading.

The owners had authorised the agents to issue bills of lading. The charterers prepared the bills, describing the goods as in apparent good order and condition, and presented them to the agents who signed them on behalf of the owners.

That, according to the owners, entitled them to reimbursement of their loss by the charterers on the group-of implied right of indemnity or breach of contract.

The arbitrators found the claim failed whichever way it was put because the intervening negligence of the master broke the chain of causation between presentation of the bills and the subsequent claim.

The owners appealed.

There was nothing to suggest that the arbitrators directed themselves incorrectly on the law as to causation. Hence the finding of on the facts must stand.

The owners argued that it was a breach of contract for the charterers to present inaccurate bills of lading for signature.

Where the charterers themselves manufactured and supplied the cargo they were under a contractual duty to present bills of lading which accurately described the condition of the goods. They were in breach of that duty. The owners, through their master, would have been entitled to refuse to sign the bills.

In those circumstances ordinary contractual principles required the owners to prove their loss was caused by the charterers' breach of contract. In the arbitrators' view they had failed to discharge that burden; and the arbitrators' view was final.

It was said that the owners would then have thrust upon them a liability from which the charterparty provided they were to be excused.

The charter provided that owners were not to be liable for loss or damage caused by the master's negligence and they were not to be responsible for the condition in which the cargo was shipped.

That would have been material if the charterers had been claiming against the owners for damage to cargo. But that was not the claim. The owners were alleging breach of contract by the charterers. If, as the arbitrators held, their claim failed because their loss was not shown to have been caused by the charterers' breach, that was not an infringement of the terms of the charterparty.

According to the arbitrators' reasons, the owners' argument as to indemnity was that the charterers were obliged to indemnify them for the consequences of *presenting inaccurate documents for signature*. On the appeal, Mr Kendrick, for the owners, said the charterers were obliged to indemnify them against the consequences of *signing the bills of lading*.

The difference was that an intervening event might occur between presentation of the documents and signature. It was in that period that the intervening event occurred. If Mr Kendrick was right, and the indemnity was against the consequences of signature, there was no relevant intervening event.

In the authorities, attention had not been specifically directed to the point. Also there were conflicting observations in appellate courts as to whether it was sufficient, if the master acted honestly and in good faith, for the owners to have a right of indemnity, or whether the right was lost if the master was negligent.

There were two routes open to a shipowner for presentation of such a claim. The first was breach of contract and the second was an implied undertaking to indemnify.

To ascertain the precise nature of the undertaking to indemnify, it was necessary to consider decisions and *dicta* over a considerable period.

In *Kruger v Moel Tryvan [1907] AC/272, 278*, Lord Halsbury said that if the bill of lading tendered to the master was manifestly inconsistent with the charterparty, it would be his duty to refuse to sign "but if there is nothing to excite his suspicion it is, of course, his duty to sign . . ."

In *Dawson Line [1932] 1 KB 423*, where the master had suspicions that weights stated in the *bill of* lading were incorrect but nevertheless signed, it was held that the owners had a valid claim against the charterers. Lord Scrutton said "the charterers' agents . . . presented an inaccurate bill of lading with consequent loss."

It was said that that passage directed attention to the consequences of request rather than of signature.

One came nearer to finding direct authority in Strathlorne *(1934) 49 Ll L Rep 306*. In that case, shipowners, at the charterers' request, delivered cargo without production of the bills of lading. They were held liable to others and claimed an indemnity under an express clause in the charterparty.

Mr Justice Roche said: "There is nothing on the evidence . . . to show . . . that this . . . was something which was likely to excite the suspicion of the master or ought to have excited the suspicion of the master or ought to have caused him to refuse." His judgment was upheld on appeal.

In the *Aquacharm [1982] 1 Lloyd's Rep 7*, where owners sought to recover transhipment expenses from charterers on an implied indemnity, Lord Justice Griffiths said: "The burden is on the owners claiming the indemnity to establish that the charterers' orders caused the loss."

In *The Sagona [1984] 1 Lloyd's Rep 194*, where owners delivered cargo to the wrong person on charterers' orders, the court said the point was one of causation.

Even after lengthy review of the authorities, the matter was still left in doubt. Was it the consequences of the charterers' request or order which had to be considered, or the consequences of compliance with the request or order? And was it enough that the owners or their master acted honestly and in good faith without doing anything manifestly illegal? Or might the chain of causation be broken by their negligence?

The better view was that it was the consequences of the request or order which were relevant; and that the chain of causation might be broken not only by dishonesty or manifest illegality, but also by carelessness.

Support for that conclusion was derived from Lord Halsbury ("*nothing to excite his suspicion*"), Lord Justice Scrutton ("they presented an inaccurate bill of lading with consequent loss"), Mr Justice Roche ("ought to have excited the suspicion of the master"), the Court of Appeal in *The Aquacharm*, and the decision in *The Sagona* ("the point is one of causation").

In judging what terms to imply the court could have regard to considerations similar to those which would be relevant in construing express terms.

Was it obvious or even likely that the parties would have agreed to a term that charterers would indemnify owners whenever they requested the master to sign bills of lading or gave other orders, and loss ensued?

Or would they only have agreed to an indemnity against loss which was caused by the charterers' request or orders, and not by any intervening event such as the fault of the owners or their master?

It was that second term which must be implied. Consequently the owners' appeal, in the light of the arbitrators' finding of fact, must fail.

For the ship owners: Dominic Kendrick (Elborne Mitchell).
For the charterers: Nicholas Hamblen (Sinclair Roche & Temperley).

By Rachel Davies
Barrister

IF YOU HAVE DRIVING AMBITION TRY SITTING IN THE HOT SEAT.

We're not just talking about scorching to 60 mph in 8.5 seconds in the Bluebird Turbo or referring to the electrically heated driver's seat on the super luxury SGX.

The power to impress

You'll find that driving any new Nissan Bluebird is an extremely rewarding experience, one that has been noted consistently by the not easily impressed Motoring Press.

"The 2 litre feels crisp and lively" said Performance Car, *"It is notable not only for relaxed 90 mph cruising, but also the ability to pull away ultra-smoothly from 1000 rpm in fifth".*

Company Car reported *"A very easy car to drive . . . accurate yet pleasantly light power steering.* All the controls are well arranged in an ideal driving position".*

Equipped for every eventuality

In the Bluebird range you'll find a multi-adjustable driver's seat and tilt steering to take care of all shapes and sizes; electronic diversity tuning seeking out the strongest radio signal to deliver you perfect 4-speaker stereo sound; infinitely variable intermittent wipers to cope with the ever changing weather; there's even the option of a tinted glass electric sunroof so you can enjoy winter sunshine as well as summer sun.

A new Bluebird for you

With 24 models from the 120 mph Turbo to the 50 mpg Diesel, including saloons, hatchbacks and estates, there's bound to be one that fits the bill.

Technology you can trust

All Bluebirds benefit from the world's most advanced technology and now they're being built in Britain using a unique approach to precision manufacture where every worker is personally responsible for quality with the next worker down the line acting as his customer.

You can rely on Bluebird quality

The Bluebird, like all Nissans, has an unbeatable reputation for reliability, backed by our 100,000 mile/ 3 year mechanical warranty and 6 year anti-corrosion guarantee.

All of which should leave you with a rather warm feeling inside.

And with Bluebird prices starting at just £6999 should leave our competitors feeling somewhat out in the cold.

Built-in quality. Built in Britain NISSAN

Government Fuel Figures for Bluebird Diesel, MPG (Litres/100 KM): Constant 56 MPH 50.4 MPG (5.6); Constant 75 MPH 36.2 MPG (7.8); Urban Cycle 34.4 MPG (8.2)
Price correct at time of going to press and excludes delivery, number plates and Road Fund licence. *Model featured:* Bluebird 2.0 SGX manual 4 door, two-tone paint and sunroof extra.
Nissan UK Limited, Nissan House, Worthing, Sussex. BN13 3HD. Tel: 0903 68561. *Except L.

MANAGEMENT

Informatica Campania

Naples' silicon evangelist

John Wyles on a successful example of Italian regional policy

A COMMON theme of the industrial policies pursued by most Italian governments since the Second World War has been the consistent attempt to harness large public sector industries behind specific regional and development policies.

The policy has not been without its embarrassing and costly blemishes, such as the steel and chemical plants in the Mezzogiorno known as "cathedrals in the desert" because of their under-utilised grandeur. But there have been successes among the less publicised, one of which is the exciting progress being made by a computer software company operating from a former Fiat car showroom and service garage at the northern end of the Bay of Naples.

Still only six years old, Informatica Campania (IC) is emerging as both a commercially successful provider of software services to the Campania region and as a vehicle for developing a computer culture in the Mezzogiorno.

In the complicated maze of the organigram at IRI, the Italian state holding company, Informatica Campania sits under the banner of Finsiel (Finanziaria per i Systemi Informativi Elettronici), which is the IRI holding company for its electronic data processing activities.

On its 1985 turnover of L15.2bn (£10.8m), IC was ranked 17th in the list of 50 Italian software companies prepared by the magazine Il Mondo. Last year's turnover of L17.3bn may well have propelled it higher in the league, the leader of which is another Finsiel subsidiary, Societa Generale d'Informatica. This company works exclusively for the Italian Ministry of Finance.

All of Finsiel's other software companies tend to be similarly dedicated to a particular clientele. Thus, for example, IC's namesakes, Informatica Friuli-Venezia-Giulia and Informatica Trentina service local government in their regions while Intersiel concentrates on banking services.

IC, by contrast, has an "open" client list dominated by some of the large companies operating in the Naples area such as Aeritalia, the Italsider steelworks at Bagnoli, and Mobil Oil.

But its development of customised software packages for such clients is only one aspect of a much broader role in developing a computer culture in the region.


Pietro de Meo: raising computer awareness

In the heart of its stunning offices, which combine a colourfully airy open plan with intimate workstations for software designers, IC has a fully equipped lecture theatre and training room in which it provided last year 70 one-week courses for 376 people drawn from other companies and organisations, and for 141 of its own employees.

These courses range from basic introductions to the uses and applications of computers, to advanced exercises in software programming. The outside students are drawn from a wide range of companies and banks, including Alfa Romeo, Nuova Italsider (steel) and Banco Centro Sud (now owned by Citibank).

"Apart from raising technological awareness, these courses are a way of introducing decision-makers and possibly future customers to Informatica," says Pietro de Meo, IC's founder and managing director.

A graduate in electronic engineering from Rome University and later of Harvard Business School, de Meo was a senior manager at Italsiel, another member of the Finsiel group, until 1980 when he decided that there was a market for a range of software services in the Neapolitan region.

Founding IC and developing its present range of activities has begun to satisfy the commercial requirements of the area. But technology needs to be applied by trained personnel and until 1980 the University of Naples carried out very little research and development in the computer sciences.

Seeing the need for a local supplier of appropriately qualified specialists to both IC and other companies in the area, de Meo took a leading role in encouraging the creation in 1980 of a research centre (CRIAI) at the university.

For more than five years CRIAI used the facilities at IC's software development laboratory until last July when it moved to a £7.5m purpose-built centre in Naples.

Such evangelical work is clearly going to be of benefit to Naples, its region and Italy as a whole. Moreover, the company itself draws direct benefits as a growing number of its 200 employees are former alumni of CRIAI.

The recent achievements closest to de Meo's heart both confirm the company's growing status and strengthen its future development. In November, an agreement was reached with Tandem computers of the US which allows IC to use its equipment as the basis for developing "fault-tolerant" systems for use within the IRI group.

Tandem has become a world leader in such systems and IC is working on a number of projects for their application which will integrate with existing computer systems such as those for continuous control of steelmaking within the state-owned Finsider group.

In addition, IC's agreement with Tandem gives it access to the US company's development work and allows for staff training and work experience in the US.

Also in November, IC was granted a European Investment Bank loan of L5bn repayable over 10 years. For de Meo this small but essential piece of financing has given the company an important "stamp of credibility" since its accounts and development plans had to be vetted on the EIB's behalf before the loan could be agreed.

The cash will help fund an L18bn development programme which should be completed by the end of this year. Unusually, the EIB money is not committed to the construction of plant but to technical training and development.

A crucial test of IC's innovative qualities comes later this year with the launch of a software package, Facelift, specially designed for the US market. Conceived as "software for software," Facelift should enable users to adapt general software packages to their specific requirements.

The company's other activities may well focus on developing new software services for use in the Mezzogiorno. In response to a request from IRI, IC has proposed four projects which will qualify for development funds under a new law for the Mezzogiorno passed last year.

One proposal costed at L270bn over four years would produce a centralised computer services system for public bodies in Campania, a second is for a L30bn software factory, a third is a system for sharing computer services between small industrial companies and the fourth would provide a data to improve services for tourists in Calabria.

De Meo insists that he and other top managers in the Finsiel group have complete autonomy, free from political interference. IRI supervision is fairly distant and concerned with regular scrutiny of management planning every three years or so.

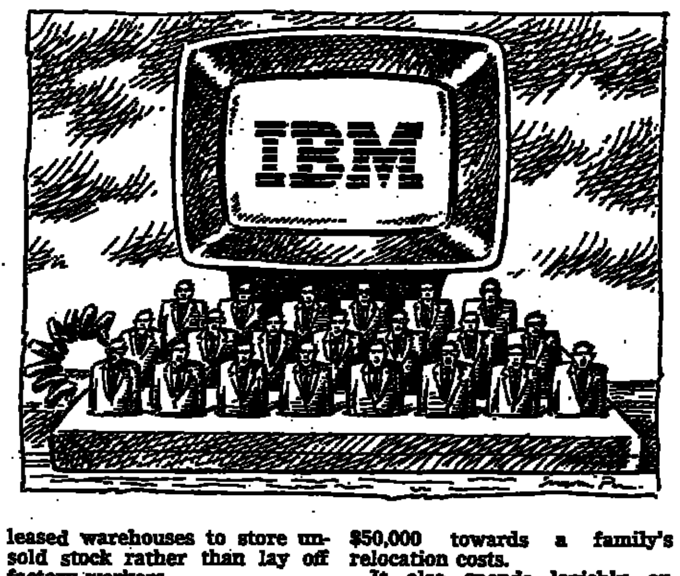
Co-ordination and corporate objectives within the Finsiel group are organised through a board structure which places the eight managing directors of the subsidiary companies on the holding company's board. It is further strengthened by the managing directors sitting on one or more of the boards of the other subsidiaries.

Here, as elsewhere in Italian industry, the key to success seems to lie in giving professional, highly entrepreneurial managers their heads within a framework of generally agreed objectives. Not as simple as it sounds, but it looks to be creating one small pile of "silicon rock" above the Bay of Naples.

Corporate culture

The ethos of an 'IBM-er'

Guy de Jonquieres describes the demanding atmosphere within the US computer giant



JOHN AKERS, IBM's chairman, president and chief executive officer, once started a speech to investment analysts by telling them that it was not true that he received his salary increases directly from God.

The joke—if it really was meant to be a joke—struck closer to home than may have been intended. For the devotion and discipline which IBM inspires in its staff, many of whom still call themselves IBM-ers, have a decidedly religious flavour.

In the corporate vernacular, IBM employees, even IBM factories, do not have jobs or tasks. They have "missions." IBM-ers who specialise in a particular discipline such as marketing or automation refer to themselves as "bigots." And strong drink is eschewed with as much disapproval as button-down white shirts are still approved of as the standard attire for male executives.

"I think this is an extraordinarily ethical company," says Akers. Competitors agree. Even though IBM can and does play rough, accusations that it plays dirty are exceedingly rare. It is a matter of some pride in IBM that it has never lost any of the anti-trust cases brought against it over the years.

But this past year Akers, whose pay is linked to profits, is unlikely to have received an increase from God or anyone else. And the faith of many thousands of lesser IBM staff in the company and their own future is being tested by what Walton Burdick, vice president of personnel, calls "the largest redeployment in our history."

More than 10,000 staff in the US have responded to a company offer of early retirement to help cut costs. Many thousands more are being shunted into new positions all over the country as IBM sets about slimming down headquarters staff and moving employees back into the field. Rarely has the old joke that its initials stand for "I've been moved" been true for so many.

IBM expects, and gets, a lot from its staff. Pressures on individuals to give their maximum performance can be intense, sometimes even brutal. One management consultant says he knows of no other company where so many above-average brains consistently work so close to capacity. But IBM also gives a great deal in return.

"All great organisations have basic beliefs and philosophies and principles that they adhere to through good times and bad," says Burdick. One of the most fundamental is IBM's commitment to avoiding redundancies, a tenet which endured even through the Great Depression, when it is said to have leased warehouses to store unsold stock rather than lay off factory workers.

With 405,000 employees worldwide to take care of, the task today is a lot more complex, particularly in an industry where many other US companies are notorious for hiring and firing at each turn of the economic cycle. IBM executives console themselves that leading Japanese electronics manufacturers, whom they regard as their toughest competitors, also have jobs-for-life policies.

Some critics contend that IBM is stretching its "full employment practice" to the limit by offering some staff what amounts to demotion. Burdick says no employees are required to take salary cuts as part of redeployment. But he admits that there are personal uncertainties, adding that the policy can only work if individuals are prepared to be flexible.

The company goes a long way to help ease the pain. When it decides to reduce staff at one of its sites, it despatches recruiters from other parts of the company with offers of alternative jobs. Within the US, it is prepared to pay up to $50,000 towards a family's relocation costs.

It also spends lavishly on retraining. Last year, it retrained 1,600 US staff, including factory workers, secretaries and clerks, as computer programmers. (IBM even has its own US university, known as the corporate technical institute, with 200 permanent staff. Every year 6,000-8,000 employees attend courses there.)

IBM's sense of pastoral responsibility extends beyond its own flock. When it decided to shut a vast distribution centre employing 1,000 people in Indiana last year, it gave the town the building and land, paid two years' corporate and personal taxes and charity contributions and assigned an executive to help find a new occupant for the building.

In part, IBM's personnel policies reflect its fiercely independent status as a non-unionised employer, and its determination to stay that way. Burdick says he would be disappointed if any of its employees felt they would be better off by joining a union.

But doesn't such an extensive corporate welfare state, with its overtones of paternalism, carry a price in terms of individual creativity? How can IBM compete with free-spirited innovation by entrepreneurs who, as Burdick puts it, "can invent something in a garage"?

To keep the adrenalin flowing, the company doses highly disciplined organisation with a variety of incentive schemes. There are generous prizes to authors of inventions and useful cost-saving measures, and special rewards to salesmen who exceed their quotas. Its legendary "Speak Up" programme, which enables employees to submit criticism directly to top management, has long helped to identify individual objectives with those of IBM as a whole.

There is also about the company an extraordinary esprit de corps, a clubbishness which extends well beyond the office. Recruited usually at an early age, immersed in the corporate culture, IBM-ers rarely appear so at ease as in the company of other IBM-ers. In some towns in New York's suburban Westchester County, home of the company's headquarters and several facilities, half the houses on certain streets are occupied by IBM employees and their families.

In part, this gregariousness may reflect the limited opportunity to form a wide range of outside contacts in a company which is forever moving employees from place to place. Furthermore, many IBM offices and plants are in slightly remote locations, well away from the busy hubbub of large metropolitan centres.

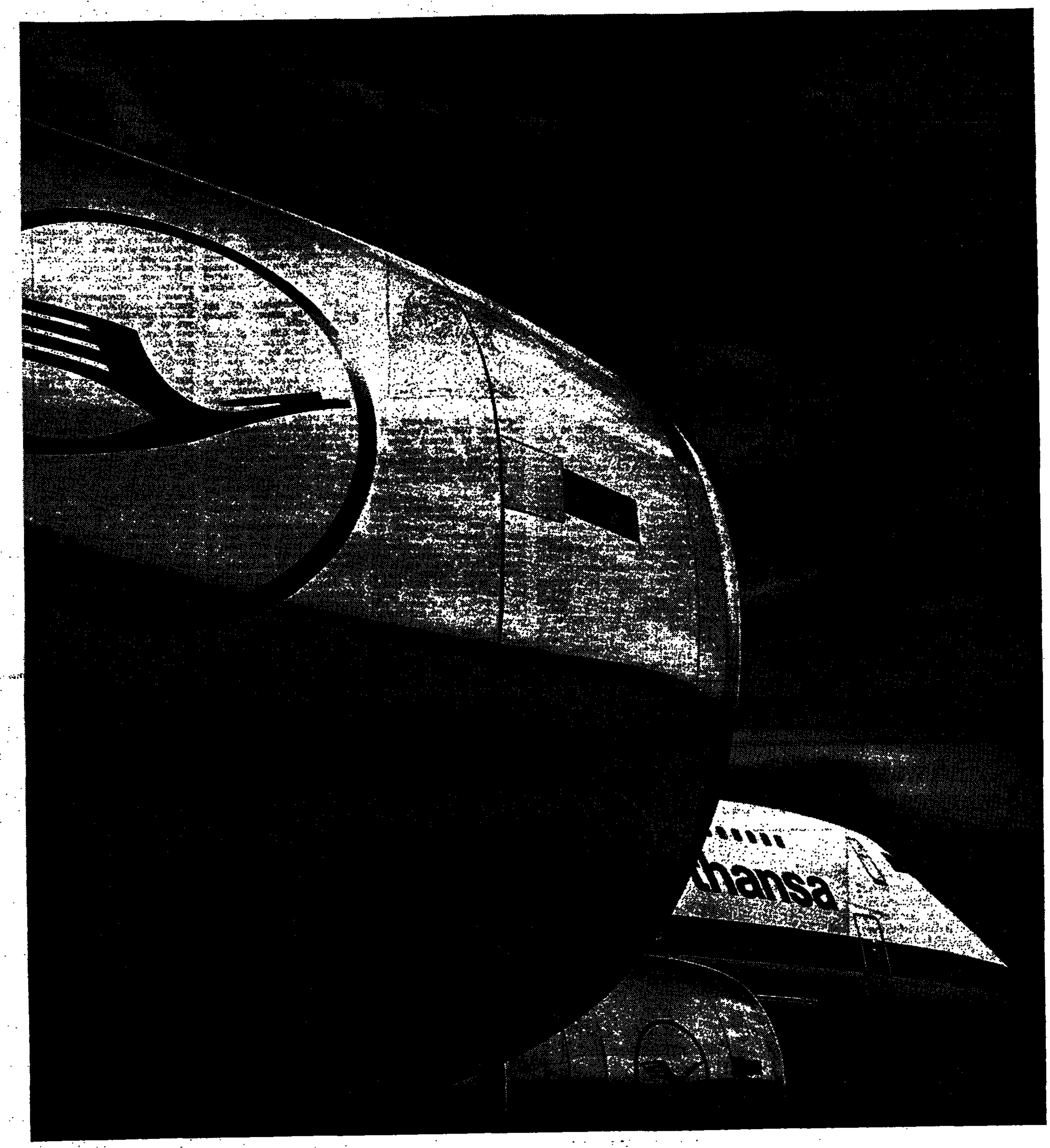
Perhaps it is not too surprising that relatively few IBM-ers choose to leave. The average rate of staff turnover is less than 3 per cent a year, and fewer than a quarter of those eligible for the most recent early retirement offer applied for it in the US, in spite of highly attractive financial terms.

One US employee who got out three years ago after a 17-year career recalls agonising over his decision for six weeks and spending the first three months in his new job fearing that the world was going to fall apart without the IBM life support system. "I felt as though I'd left the womb," he says.

Since he became accustomed to the outside world, he says, he suggested to a former colleague that he make the break too. "The guy looked at me in horror as if I had said hey, why don't you slay your first-born? Then he said: 'I can't do that. I'm an IBM-er'."

Previous articles in this series appeared on January 19 and 23. The final one will be published on Monday.

Every status has its symbol.



Lufthansa

TECHNOLOGY

RESEARCH POLICY AT SMITHKLINE BECKMAN

How management adjusted its focus on brainpower

By Stephanie Yanchinski, recently in Philadelphia

IN THE early 1970s SmithKline Corporation (now SmithKline Beckman) hit the big time. It developed Tagamet, currently the world's top selling medicine. But the success of this anti-ulcer preparation also presented the once small American supplier of pharmaceutical products with a problem—how to manage its research programme now that it had been thrust among the world's top drug companies.

Company strategists realised SmithKline's undistinguished record in respect of the number of products developed had to change. It was increasingly evident from the escalating amounts spent on research and development (R&D), that bigger rivals such as Merck, Sharp and Dohme and Eli Lilly saw a constant flow of high technology products as the lifeblood of future growth.

Ten years later SmithKline is still searching for another Tagamet. But it ranks fifth in the world in terms of the number of new products under development, with 85 in the pipeline.

Dr Stanley Crooke, the head of Research and Development who has overseen many of the changes in the company's R&D programme, proudly boasts, "of the seven products developed over the last 16 years five were released in the last three."

These include three "world's firsts": Ridaura, an oral gold treatment for rheumatoid arthritis; Valbazen, a treatment against all animal worms and sold to farmers in 42 countries; and Leukocell, the first vaccine against feline leukemia.

Beyond the realm of conventional drug development, the company can fairly claim to be at the cutting edge of the exciting new area of biotechnology which holds the key to future development of the pharmaceutical industry.

A Belgian subsidiary Smith Kline-RIT just launched one of the first preventative medicines made by genetic engineering, a vaccine against hepatitis. And at SmithKline's new US$200m research facility near Philadelphia, scientists are in the forefront of at least two other biotechnology products with market potential estimated in the hundreds of millions of dollars.

The impact of finding a Tagamet cannot be underestimated. The anti-ulcer drug is expected to touch sales of US$1bn in 1986, contributing a third of the company's total turnover of US$3bn. Tagamet helped lift SmithKline from a position in the thirties among pharmaceutical companies a decade ago to tenth in the world in 1984.

The company has become truly international. By 1985, it employed 33,000 people, marketed products in more than 120 countries and had opened 20 manufacturing operations around the world.

The refashioning of the company's approach to R&D began with altering the attitude of the SmithKline management.

The outstanding success of Tagamet, a product based on a new scientific discovery, helped convince SmithKline executives of the benefits of ploughing earnings back into research and helped underwrite the massive capital investment needed to build and equip new facilities over the next decade.

"Scientific excellence" became the watchword of top management. Stanley Crooke drives this point home in a booklet entitled "Commitment to Science," which is a standard handout to visitors to SmithKline's Philadelphia facility.

When talking about "Our Future" he says "our objective is to be the most productive pharmaceutical research and development organisation in the world. To succeed, we must have an unflagging commitment to excellence and the recruitment, motivation and development of outstanding minds."

However, SmithKline began looking for "outstanding minds" to reshape its R&D corporate culture at a time of great change in the pharmaceutical industry, when generic substitution began making inroads on established markets. Biotechnology, which had just made its commercial debut, and other leading-edge technologies thus became extremely important as a vital source of new products.

Attracting first class scientists of the kind who would previously never have considered leaving academia became more important than ever before. In this SmithKline found itself in competition, with not only the big firms but more especially with new biotechnology companies. These new concerns offered bright scientists the opportunity of shares in the company and the chance to become a millionaire, at least on paper, as well as a way to continue practising leading-edge science.

Therefore, in order to first woo and then keep these talented individuals, SmithKline executives paid more attention to the management of this particular breed of scientists. The strategy involved not only investing enormous amounts of money in top-class buildings and equipment but building a corporate culture in which a skilled management team could direct the pursuit of commercial goals without stifling scientific discovery.

Money matters in attracting good scientists. At the time of Tagamet's dazzling arrival Smith-Kline spent a substantially smaller percentage of its sales on R&D than its pharmaceutical rivals, a pattern which continued throughout the 1970s.

In 1978, two years after Tagamet, the company still spent only US$77m, a modest 6.9 per cent of annual sales of $1.1bn, and well under the double digit figures being spent by major drug companies like Merck Sharp and Dohme and Eli Lilly.

In comparison with those days when, in the words of the head of biopharmaceutical research and development, Dr Martin Rosenberg, SmithKline was "a dry hole with respect to research," the company now ploughs about 10 per cent of its sales, around US$300m, into research. In terms of R&D spending the company now ranks eighth among top chemical and pharmaceutical manufacturers in the US.

Since 1980 it has invested over US$1bn in capital and operating expenses. Most spectacular is the US$200m research facility at Upper Merion, in the heart of the Pennsylvania countryside, and a half hour drive from the historic city of Philadelphia.

Built over a period of four years the state-of-the-art complex covers 330 acres with 28 separate buildings each housing an individual scientific discipline such as molecular biology, chemical engineering, pharmaceutical research, analytical chemistry, clinical research, pathology, toxicology and drug metabolism.

The attraction of these superior facilities and a quality of living that includes the beautiful Pennsylvania countryside and relatively cheap housing has become particularly important in attracting a growing number of young scientists.

The Upper Merion facility has also brought together 1,500 scientists on one site where they can more easily use each others skills. Rosenberg says he believes that "the freedom of information exchange," which includes in-house seminars and collaborative research with academia, "is one of the reasons why SmithKline has attracted such good people,"—including himself.

"People certainly do not come for the money," Stanley Crooke admits.

During the difficult phase of reshaping the corporate culture, Crooke and his team looked for ways to break down the big corporation hierachy and incorporate the better features of academic life. For instance, "We looked at what makes scientists tick and one principle which now is never violated, is that scientists must be managed only by scientists," he states.

He admits that "This imposes some severe restrictions" on who the company hires as managers. But Crooke insists, "we will never compromise on scientific excellence as a primary attribute for management."

Senior staff are encouraged to run laboratories, as a way of keeping in touch with what is going on at the bench. Top management such as Crooke and Dr George Post, vice president of research at SmithKline Laboratories, also hold professorships at the nearby University of Pennsylvania, as a way of maintaining strong links with academia.

Crooke says that "We believe strongly that it is the idea, not who says it that is important." This attitude he feels reduces the damage inherent in the hierarchy of big organisations. "No point is served by allowing power to obscure quality," he says.

Central to this populist approach to science is the "open project review" where anyone is free to propose a feasibility study to be judged by his peers. "We are developing a culture," says Crooke, "in which decisions are made at the lowest level, where real power is held by the department heads and project leaders."

Crooke describes the atmosphere as "supportive, yet critical." He says "this is essential in encouraging scientists to take risks at the very heart of experimentation. SmithKline is an organisation that is built on experimentation. So it pays us to reward our scientists for making decisions and taking risks."

In practice, if his peers agree, the scientist then has a couple of years to show that the hypothesis will work. The idea then graduates to project status and gets full funding.

However, keeping such high-voltage intellectual energy focused on commercial goals remains a problem, and SmithKline's marketing fraternity has yet to be convinced that, as one scientist put it, "we are not just chanting by the fire." One general manager handling SmithKline products thousands of miles away from Upper Merion comments wryly: "It has been a notoriously dry period since Tagamet."

George Post says that "industrial research must be highly focused on product discovery. Any scientist joining a pharmaceutical company must expect to work on research that is related to drug discovery."

So when a project moves on from feasibility to full project status, a multidisciplinary team, including marketing experts, participates in the development of a plan which is based on what research can deliver and what the market needs. This plan evolves into a "contract" between the research team and marketing department with target dates and goals for a product's development.

Crooke admits that "We have still a way to go before we complete the construction of that culture so that it is consistent across the entire organisation. But we feel very good about the progress we have made."

BEST SELLING MEDICINES

Drug	1985 ($m)
Tagamet (SmithKline)	940
Zantac (Glaxo)	780
Adalat (Bayer)	570
Tenormin (ICI)	520
Inderal (ICI)	520
Feldene (Pfizer)	470
Naprosin (Syntex)	470
Ceporex/Keflex (Glaxo/Lilly)	440
Cector/Kefral (Lilly/Shionogi)	430
Aldomet (Merck)	380

Source: ICI

Swedes quick to see opening

By Geoffrey Charlish

In Sweden, the days may be passing when workmen use a traditional sledgehammer-and-chisel approach to knock holes through walls in order to make new doorways.

CDS Concrete and Sawing, a company in Vaxjo, has developed an hydraulically-powered concrete sawing machine, mounted on a self-propelled crawler. This allows an operator to make three clean, finished doorway apertures in a day. The operator simply positions the machine at the wall and starts sawing. Using conventional equipment, says the company, two men take the same time to deal with two doorways.

Facsimiles get moving in UK

Muirhead Office Systems in the UK is offering a facsimile machine specifically for use over Britain's two mobile cellular radio systems.

Called Cellfax, the system allows drawings, text and photographs to be received almost anywhere in the radio coverage areas. An A4-sized document takes only 15 seconds to send.

No need to see a solicitor

LEGAL ADVICE on-screen is being offered by old-established London solicitors, Pennefather and Co.

The service is provided on Microlink, an electronic mail network that links up computers over ordinary telephone lines. Pennefather clients can use their home or business microcomputers to ask questions and get written replies, instead of using the phone or visiting the solicitors' offices.

THE ARTS

Andrea del Sarto/Florence, Paris

Susan Moore

Robert Browning called his poem *Andrea del Sarto*, "*The Faultless Painter*". The epithet is Vasari's and the biographer's tale of dark dealings with Francis I, a rare gift wrecked by an obsessive attachment to a wanton, avaricious wife, and a brilliance just one step short of divine, is the very stuff of *romantic drama*. There was a novel about del Sarto and even an opera. But in this century, in spite of Browning's monologue, the magnificent drawings in the British Museum and the much-loved *Madonna and Child with Saint Elizabeth and the Baptist*, in the National Gallery since 1831, one of the greatest of all *cinquecento* painters rarely features in our national consciousness.

Modern scholarship may have peeled away the romantic myths that shrouded del Sarto's life like clouds around *putti* — and most of Vasari is insubstantiated — but it has also resulted in two intelligent and immensely enjoyable exhibitions organised in Florence and Paris *to celebrate the 500th year of* the artist's birth (he died in 1530). Together they present a rich cross-section of the artist's oeuvre, ripe for re-appraisal.

Of the two, the Palazzo Pitti show (until March 1) is more comprehensive — frescoes, oils, drawings, and even a brocade embroidered after the artist. *As* the very least of its claims it has prompted the display, cleaning and restoration of the bulk of his paintings. A glorious reclamation is the early *Noli me tangere*, where del Sarto's subtle use of colour is already manifest. (Happily, there are none of the squeaky-clean panels to be found in the concurrent restoration exhibition at the Palazzo Vecchio.)

Organised as a *chronological* survey, the exhibition opens with a fresco of the Annunciation from his first important commission, undertaken soon after he left the studio of Piero di Cosimo to become a master in 1508. But it is two other decorative panels, telling the story of Joseph, that steal the early section, and almost the show. They were commissioned for what must have been one of history's most enchanting rooms: the bedroom of Pierfrancesco Borgherini and Margherita Acciaiuoli.

With the *Madonna of the Harpies* of 1517 Andrea del Sarto's reputation was made. So named after the creatures — which are sphinxes — that are carved into the antique plinth upon which stands the statuesque Virgin, it remains the artist's most revered work. But seen alongside the *Disputation on the Trinity* and the *Lamentation of the Dead Christ*, which dominates the room, its pre-eminence is not unchallenged.

In the *Lamentation* the complete psychological engagement of all seven figures, rare in such crowded scenes, is utterly convincing. The faces of the *saints, and the Magdalen in the Disputation*, are of almost incomparable beauty.

This absorbtion, a pervading, protective pride, dominates the *sombre-toned Madonna and Child, St Joseph and St John*. The artist's observation of human feeling is acute, and is matched by an ability to give it *substance in chalk* and pigment. This young Baptist is the curly-haired imp who appears throughout his works—like the face of his wife Lucrezia.

St John the Baptist as a young man is much more of a bravura essay in colour and texture, displayed with relish in the bold vermilion drapery, *touch of brilliant white*, flesh tones and fur. For just one of these *tours-de-force* I would gladly exchange all the later monumental, mannered *Ascensions of the Virgin*.

★

In the Louvre's "Hommage à Andrea del Sarto" in the Cabinet des Dessins until the end *of January—and which* draws from collections throughout the country—there are only two panels painted for the French king. *The Virgin with Angels* is accompanied by the badly rubbed *Charity*, one of the first panels to be transferred on to canvas, in 1745. Between them hangs the intimate, *oval Holy Family, said to* have been a gift from Richelieu to Louis XIII.

But it is primarily a drawings exhibition which, with the *100 or so studies in the Pitti*, reveal Andrea del Sarto as one of the most accomplished Florentine draughtsmen; in red chalk—more subtle than black—he is perhaps unsurpassed. He exploits its hard lines as well as its soft textures. The studies from life have an immediacy that is appealing and easily understood. Fully worked-up heads *or ferocious dogs and ghostly* false starts spill across the sheets.

The drawings are works of a different level too, as records *of the development of an* artist's thought process. Here we see figures nude, then draped; fluid compositional sketches; studies of hands and drapery, constantly reworked. Underneath them are small *reproductions of related* finished works (in the Pitti there are slides in light-boxes; in the Fra Bartolommeo drawings exhibition at the Uffizi, until the end of the month, there are folders of photographs). In this way both drawing and panel are made more accessible. Why is this laudable practice never adopted in Old Master drawings exhibitions here?

Television/Christopher Dunkley

Distorted window on the world

If we have been told it once we have been told it a thousand times: television is our window on the world. It is a handy *metaphor, and yet a monogamous* heterosexual living in southern England and being well paid for doing a full-time job might be forgiven for *thinking that the panes in television's* window must be made of the most peculiar glass. Compared to what he sees around him—what he hears from *family and friends*, what he finds on the streets and in the shops, what he reads in the papers and magazines—the television picture appears to be peculiarly distorted. Perhaps some panes are filled with magnifying glass and some with those odd bottle-glass lumps which make everything look bent.

Take the subject of Aids, for example. A year or so ago some popular newspapers began to run hysterical stories about "Gay Plague." It was pretty distasteful stuff, though rooted, so far as one could tell, in fact; there was, indeed, an *epidemic* approaching plague proportions among the homosexual communities on America's East and West Coasts. The first major response from British television was a thoughtful programme made by Fisher Dilke for *Horizon* which tried to discover precisely why male homosexuals were being decimated by the disease. The programme, which was explicit about the sexual practices of promiscuous homosexuals, was withheld and has never been screened.

Now, a year later, television *is* chock-a-block with programmes and advertisements seeking to persuade us that we are all at risk from Aids. There seems to be a desperate determination among broadcasters that monogamous heterosexuals *shall not be allowed to get away* with it. The television advertising campaign conveying the message that the chief vectors *of the disease are volcanoes and stone masons is of course ludicrous*, but the underlying import of these and of the umpteen programmes about Aids is clear: we must all share *the fear that we are at risk*.

Is this view emerging through television's window a fair and accurate one? According to official DHSS figures up to the end of December 1986 Aids had been diagnosed in 610 people in Britain. *Of those 538* were male homosexuals or bisexuals; nine were intravenous drug abusers; six were homosexual *and* intravenous drug abusers; 25 were *haemophiliacs*; *six had* received blood transfusions while abroad; three were the children of mothers carrying the Aids virus; and four, three women and one man, were heterosexuals infected in the UK.

Now that may indicate the *beginning* of a contagion necessitating panic measures among monogamous heterosexuals. Whatever the true position, complacency could clearly be dangerous. *But even accepting that*, there is still something distasteful and worrying about television's seeming determination that we should all share equally *in anxiety and guilt; it smacks* of hellfire preaching and

Felicity Kendal and Peter McEnery in "The Mistress"

"original sin" and suggests a very murky window indeed.

This is not to deny that there is a vast amount of promiscuous *heterosexual activity going on*. One's own experience suggests it is occurring all over the place all the time. A nude model tells tales of a scorching affair with an executive on the sofa in his office, and in a City flat kept for the purpose. Millions are agog for every sizzling detail, and newspapers with revealing photographs of the girl sell like hot cakes. The deeply moral *may find it* all dreadfully distasteful, but the existence of a widespread interest in, and liking for, sex is unmistakable.

Does the view through television's window accurately depict this aspect of our world? *Far from it. So in*frequently does television touch upon the subject that on the rare occasions when it does the minority forming the Grundy brigade is struck all of a heap and screeches its head off about the shock. BBC2 has just started another series of *The Mistress* which, thanks to the presence of Felicity Kendal in the title rôle, will no doubt achieve high ratings. Yet, because of the success of the Grundyists in insisting that television must always act *in loco parentis*, the series is actually a rather slow and anodyne little thing even though its driving force must logically be the very same as that behind the businessman and the nude model.

The idea that one of the ways that human beings have always enjoyed one another's company is as "*sex objects*," is now almost universally rejected on television. The exception is Channel 4's homosexual programmes where it seems to be taken for granted that one of *the chief characteristics* of the human form is its erotic quality. Here the male body has quite recently been flaunted in a way that no British television channel — especially C4 — would dream of permitting if the body were *female*.

Television still shows beauty contests occasionally, but the feminists with their talk of "body fascism" have blackmailed the organisers into using evening dresses and national costume and lengthening the dreary discussions about wanting to be a beautician and help people. Nobody in television ever seems to query the *feminist belief that it is quite* OK if you are born with an outstanding brain to show it off or profit from it, but somehow disgusting to do the same if you *happen* to be born with an outstanding body. Consequently this bit of television's window also produces serious distortion.

Violence, on the other hand, which the Grundy lot insist upon bracketing with sex (thus revealing much about their minds) is not merely acceptable to television but practically *de rigueur*. Though the talk about codes covering the depiction of violence seems endless, the effect upon screen seems to be nil. Nor is it solely a question of drama: the talk about rape *and mugging in news* and current affairs programmes is now at such a pitch that millions of people in Britain, particularly the elderly and the frail, live at least part of their lives in fear, convinced that they are surrounded by an unprecedentedly violent society.

This is almost certainly a mis*conception*, but this time television's window seems to act as a magnifying glass. What elderly viewers suffer from is an unprecedentedly vivid mass medium which is more efficient than anything before it at embodying crime statistics. Though I have acquaintances who have been mugged in New York, I have lived 40 years in London without anyone among my family or friends ever being mugged or raped here. A New Yorker who came and looked through the television window in London would never believe that.

Television tells us repeatedly that we live in a "multicultural society." It has been claimed so often that the broadcasters clearly believe it themselves, and of course most of them *do* live in multicultural city areas. But the overwhelming majority of viewers do not live in multicultural or even multi-ethnic communities, and 96 per cent of the population is white. The scenes we see through television's window of police squads or East End communities with high proportions of black people may represent the real world for a minority who live in some parts of London or Birmingham, but not for the majority.

Above all is the matter of unemployment *and the general* standard of living. Anyone relying exclusively on television's window for his view during the last three or four years would be convinced by now that only a tiny number of people were left in full time employment. He would imagine, moreover, that most people lived in rapidly deteriorating circumstances, physically and morally.

The broadcasters' concern for the unemployed is of course right and admirable. But television's failure (with the sole exception, in my experience, of *LWT's Tomorrow Land*) to record the fact that most people in England have literally never had it so good casts a very odd shadow across that hoary old claim about television providing a window on the world.

The Hypochondriak/Edinburgh

Martin Hoyle

Why do the Scots take so effortlessly to Molière, while the English remain mirthless and stilted? (This week's National Theatre *School for Wives* may, of course, prove me wrong). Perhaps because both French and Caledonians use an unshakably respectable propriety to cover a healthy and *eruptive emotionalism*.

In recent years, Edinburgh has seen highly successful versions of Molière in the tones of Morningside. Now the Scots writer, *Hector MacMillan, has come up* with a robust adaptation that seems absolutely natural, though so far from Edinburgh gentility that your critic understood less than 50 *per cent of the broadly* accented dialogue.

Paradoxically, the result—a piece of foreign language theatre for this sassenach, at *least—emphasises the vitality*, fizz and sheer style of the Lyceum company. Colin MacNeil's pink and grey modern set sports Peter Scott-type flying *geese above the fireplace*; the production, by John Matthews and Gerry Mulgrew, replaces the Grand Siècle with Edinburgh's own golden age: the *18th Century*, which began with Defoe spying for the Union, took in Hume and Adam Smith, and ended in a proud blaze of European glory with Burns.

Ragamuffin musicians add a Venetian carnival atmosphere, with masks and tricorns. Among the doctors who tend or harass Argan is a spindly top-hatted figure in black, right out of Hoffman, besides the disguised maid, Toinette, an ancestress of Despina in *Cosi*.

And how is the patient? Poor Phil McCall's almost voiceless hypochondriac croakingly apologised at the curtain-call, but pointed out that the flu-ridden cast were better-off than Molière, who "dropped deed" in this very play.

Resembling a cross between *Hogarth in a turban and Dame* Edith Sitwell, Mr McCall evokes that canny doubter of Raeburn's painting, "The Letter of Introduction," that hangs nearby in *Scotland's National Gallery*.

Pointed and graceful movements come from a far-from-"deed" cast, including a stylish Alison Peebles (the plotting stepmother), Eliza Langland's daughter and Grace Glover's raucously sceptical maid. The walls part for a final tableau, grinningly presided over by fat adult cherubs striking *effortful* poses in fright wigs; only the final burst of rock music seemed undergraduates. Otherwise, this brisk, cheerful, utterly natural annexation of French culture renews the Auld Alliance with a vengeance.

Der Blaue Reiter/Bern

Ernest Beck

They believed in art's spiritual "inner necessity" and the pursuit of purity in form. They saw the colour blue as a symbol of heaven, and the horse and rider as an *image of unbridled freedom*. They called themselves *Der Blaue Reiter*, and in 1911 declared war on the stuffy superficial and national*istic state of the arts in turn of* the century Europe. "Everythings is now allowed . . .there should be no limitations" declared the founders, Wassily Kandinsky and Franz Marc, hoping to set artists free to *follow their feelings and forget* rigid rules of order and "realism."

Today, the dynamic but short-lived years of *Der Blaue Reiter* in München have been lost to later, more tumultuous trends. But the Bern *Kunstmuseum* has done a remarkable job in resurrecting the Riders in a 75th anniversary tribute — the only one to be held this year. It is an ambitious and comprehensive exhibition, which traces the roots and repercussions of the movement, and goes a long way to validate its place as the stepping stone to our sense of modernism, and particularly, the great leap to abstraction. The appropriate subtitle is "Kandinsky, Marc, and the Rise of 20th Century Art."

Of the 250 works on view—including paintings, sculpture and drawings, documents, letters and examples of earlier artistic influences—Kandinsky's daring, almost abstract painting "Komposition V (Park)" remains the centre piece (its *rejection from a München exhibition* actually prompted the painter to form the group). It is a large, lyrical landscape which first appears as a post-*world war two splash of colour*; but on closer examination one slowly begins to see horses and riders traversing a field watched by two people, a shadowy red mountain lurking behind. Or is it? Perspective and form are dissolving, and the mystery of colour is used to create a vision of nature through the sense.

In short, Kandinsky was stumbling towards abstract art. In the 60-odd other Kandinsky works in the exhibition it is easy to trace his lurching towards eliminating all form in favour of pure colour as a reality unto itself (although he felt compelled to give clues to viewers with bracketed explanations). "Improvisation 26 (Rudder)," for example, goes a step further with identifiable subject matter virtually lost in exploding colours and deep black lines, which suggest movement and the flight of birds.

Compatriot Franz Marc was moving in another direction, using the new-found freedom to unite a personal dream world of animals in a universe of colour. *His horses come* in a variety of unreal vivid yellows, reds, blues and greens, and have decidedly human characteristics—they can be sinewy, shy and sexy. *His "Blue Horse"* shows us only the animal from behind, a black tail swishing between muscular thighs.

In others, a cute puppy is asleep in a field of snow, or a young deer curled around itself *in a murky forest*. Often the animals are floating against a backdrop of undulating, exotic colours. The star of the Marc stable, however, is the flying "Yellow Cow," branded with two violet patches, and seen weightlessly charging through a whimsical world of lush greenery and red fauna, neck outstretched and hind legs bucking.

The exhibition continues until February 15.

Lumina/Wigmore Hall

Dominic Gill

Lumina was founded in 1980 by David Blake, and devotes its programmes to a "judicious mixture of music from the 18th, 19th and 20th centuries." The ensemble were to have given the *premiere of a new work* by Philip Grange at their concert on Monday night, but the score was finished too late, and the premiere was postponed.

Of the judicious mixture which remained, two were recent pieces. Alfred Schnitke's Septet was commissioned and premiered by Lumina five years ago—a 15-minute essay for seven instruments, the subtitle of whose first movement might be "Reflections on Steve Reich": a brilliant, bird-loud canvas in which repetitive, *motoric cells* figure large and insistently. The second movement is more mysterious: a Chorale shot through with late-romantic yearnings, sombre colours, sudden shafts of brilliant illumination.

David Blake conducted his own *Seasonal Variants* for the same combination: a charming, unassuming piece in three *movements*, the first of which has the strongest (and most liberated) identity—a bouncy, good-humoured Toccata calmed at its climaxes by little, still *pools of cantabile. For the rest*, a quartet from the ensemble gave us a good, firmly shaped account of Brahms's C minor piano quartet, and Ruth Crouch with Erik Levi gave a decent, unflamboyant performance of Janacek's violin sonata. An agreeable, unmemorable evening.

Faust/Young Vic Studio

Claire Armitstead

Goethe's lifelong obsession with the story of *Faust* has provided red meat aplenty for scholars and translators over the century and a half since *his death at the age of 82*. His case is now revived by The Rude Mechanicals, a sparky young company devoted to bringing German theatre classics to the English stage (their next project, opening in March, is Buchner's play of the French Revolution, *Danton's Death)*.

The temptation for a young company to revive a production that has attracted as many critical plaudits as this one, in the same place last year, must be considerable. Director Margarethe Forsyth has succumbed with a retread of Faust, Part 1 that reaffirms many of its original strengths. The translation, by Nigel M. Fazal, harks back to a version by Irish poet John Anster in 1835, sweeping away decades of fusty, prosaic successors. *The rhythms are* light and unlaboured, giving to the occasional pedestrian rhyme where humour demands, and soaring finally to an articulate anguish.

The production, at its best, is correspondingly bright and lively, the pageant of country dancing and minstrelsie offset by goblinesque gargoyles (in tremendous diabolical masks by *Paul Coleman*) that *strut and* fret in their midst as a constant reminder of Mephistopheles' hellish mission.

So far, so good. The problem, unfortunately, lies bang smack at the top in the portrayal of Faust by Jonathan Epstein that does not quite encompass the edifice of a man whose hunger for "not joy, but ecstasy" leads him to damnation. Perhaps because Epstein's performance is pitched a little high to begin with (this is, after all, a small studio space where a little *ranting goes a long way*), he becomes ultimately tiresome rather than tragic, which is a pity, because Julia Josephs' Gretchen is clear and beguil*ing*: the initial innocence of the wholesome country lass disintegrating touchingly into Opheliaesque madness.

Julian Forsyth, last year's Faust, makes an interesting switch of roles to become a satanically sneering Mephistopheles in a louche magician's cloak—as comfortable with the party trick wizardry of turning water into wine for the common folk as he is with the serious business of evil. In an adequate supporting cast Michelle *Magorian stands out as a witch* who speaks with a gargle in a scene of devilment that conjures the best too from lighting designers John Jenkins and *stage designer Ian Millstone*. Despite reservations, there is plenty to make this show worth catching.

ENO in *February and March*

During February and March the English National Opera will present a new production by *Jonathan Miller of Puccini's Tosca*, further performances of the Miller production of *The Mikado*, also *The Queen of Spades* by Chaikovsky, Strauss's *Die Fledermaus*, and revivals of Gounod's *Faust* and *Akhnaten* by Philip Glass.

Tosca, which opens *this* evening, was first seen in Florence last summer in a co-production with Maggio Musicale.

RSC to play at Mermaid

Despite its hard pressed financial situation the Royal Shakespeare Company announced yesterday that it was adding yet another theatre, the Mermaid in the City of London, *to its chain*. In 1987 it will be producing plays in three Stratford and three London theatres.

The Mermaid season will start in *April and will be built* around transfers from the RSC's latest Stratford theatre, the Swan, which opened last summer and which specialises in 17th century plays. Trevor Nunn's acclaimed production of *The Fair Maid of the West* by Thomas Heywood opens on April 2, followed by Ben Jonson's *Every Man in his Humour*.

The RSC will be presented at the Mermaid by Frank and Woji Gero and Playhouse Productions, who have a year's lease, and, as well as the Swan *repertoire*, there will be a season of American plays later in the year.

In all, the RSC will be playing in 47 productions in 1987, *in the UK and abroad, a rise* of 17 on last year. The only indications of its poor box office in the Barbican last summer is a reduction from *three to two in the new* productions at this, its main London venue. One will be *The Balcony* by Genet, directed by Terry Hands, with a second production to *be announced later*. Genet will also feature in the Pit, with performances of *The Maids* and *Deathwatch* (as a double bill) and *The Blacks*, with *The Screens coming later*.

The season in Stratford opens on April 8 with *Julius Ceasar*, directed by Terry Hands to designs by Farrah and with Roger Allam as Brutus. Then comes the *Merchant of Venice with Anthony Sher as Shylock*, and *Twelfth Night* (Sher as Malvolio) coming in July.

Two new directors are working for the RSC later in the year at Stratford — Jonathan Miller, with his production of *The Taming of the Shrew* with Brian Cox as Petruchio, and Nicholas Hytner with *Measure for Measure*, in November.

The Swan Theatre attracted an audience of over 100,000 in its first season and it kicks off again on April 15 with the Caroline comedy *Hyde Park* by James Shirley. This will be followed by Shakespeare's *Titus Andronicus* and Marlowe's *The Jew of Malta*. The two other new Swan productions are *The Revengers Tragedy* by Cyril Tournear with Anthony Sher again, and *The New Inn*, a rarely performed comedy by Ben Jonson. Barry Kyle will be artistic director at the Swan for the season.

New plays dominate the repertoirs at The Other Place with *Fashion* by Doug Lucie opening on April 7: it is about a PR company taking on a political party as a client. This is followed by the British premiere of *Temptation* by the Czech writer Vaclay Havel.

Indigo, a new play by the 24-year-old *Heidi Thomas* arrives at The Other Place in July, with John Berger's first play *A Question of Geography* opening in September. The *final new production is Shakespeare's Cybeline*, which has not been staged by the RSC since 1979.

The Barbican will be kept busy with *Stratford transfers* including *Macbeth* with Jonathan Pryce and Sinead Cusack and *Romeo and Juliet*. *A Midsummer Nights Dream arrives in August*.

In the West End the RSC's two successes, *Les Miserables* and *Les Liaisions Dangereuses*, will be joined in May by Cole Porter's *Kiss Me Kate*. All three will be seen on Broadway in 1987 and should go some way to easing the companys financial problems.

For the first time the RSC is under the sole artistic responsibility of Terry Hands. Trevor Nunn remains as adviser and friend.

Antony Thorncroft

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

January 23–29

Theatre

LONDON

Les Liaisons Dangereuses (Ambassadors): Christopher Hampton's masterly version of Laclos' epistolary novel is sexy, witty and wise, like a collaboration between Marivaux and de Sade. Howard Davies's sell-out pre-Revolutionary production for the RSC has moved from the Pit with Alan Rickman and *Lindsay* Duncan still battling and bitching over lovers and other riffraff. (836 6111, CC 836 1171).

Misalliance (Barbican): Rarely seen Shaw, and a much underrated play, given the full RSC works by John Caird, a Polish new woman crashing into the surrey conservatory in her monoplane. Jane Lapotaire sparkles alongside Brian Cox, Elizabeth Spriggs and newcomer Richard McCabe (628 8795, CC 638 8891).

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, *meritorious* and palpable hit. (839 2244, CC 379 6131/240 7200).

Woman in Mind (Vaudeville): Alan Ayckbourn's new comedy has a brilliant performance by Julia McKenzie as a dissatisfied housewife visited *on her own garden* lawn by an imaginary *ideal* family. Bleak but funny, hailed in some quarters as vanguard feminist drama; be not put off by that. (836 9987/5645).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating *folly* has *10 minutes* of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all *influences. Pastiche score nods to*wards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found *for* New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

PARIS

The English Shakespeare Company at the Old Vic presents Shakespeare – The Henrys produced by Michael Bogdanov at Espace Jacques Prevert, 134 rue Anatole France, Aulnay-Sous-Bois, a Paris suburb: Henry IV (Part I), Wed 8.30pm; Henry IV (Part II), Thur 2.30pm; Henry V, Thur 8.30pm (4868 0022).

NETHERLANDS

Amsterdam, Bellevue Theatre. English-Speaking Theatre *of Amsterdam* with The Dutchman by Leroi Jones, performed by Lisa Sove and Gylan Kain (Tue to Thur). (247 248).

SPAIN

Madrid, Where Is The Party by Dutch group Pigeon *Drop. A series of* sketches and gags by three actors and three musicians. A sort of pantomime, musical, cabaret show. Teatro Martin, Santa Brigida 3 (222 93 32), until end of March.

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy *music is visually startling and* choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

La Cage aux Folles (Palace): With *some* tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy *chorus* numbers. (757 2626).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

A Chorus Line (Shubert): The longest-running musical ever in America has not only *supported* Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than *emotions*. (239 6200).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

The Mystery of Edwin Drood (Imperial): Rupert Holme's Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical with *music-hall tunes* where the audience picks an ending. (239 6200).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

Ghost on Fire (Goodman): The latest play by Michael Weller, called the Chekhov of his generation for his intelligent sadness in plays like Moonchildren and Loose Ends, follows two college friends who try to rekindle their inspiration after making money in Hollywod. Les Waters directs Dawn Arnemann, Peter Aylward and Bill Cobbs. Ends Feb 14. (443 3800).

My Werewolf (Goodman Studio): Theatre X production written by John Schneider tells the werewolf legend as a 1940s horror movie, with all the exaggerations of romance, terror and eerie music, for the stage. Ends Feb 22. (443 3800).

WASHINGTON

Les Miserables (Opera House): The American tour that will end up on Broadway early in the new year begins in Washington as a celebration of the British musical's leap beyond its American forebears. Ends Feb 14. (254 3770).

Arsenic and Old Lace (Eisenhower): Jean Stapleton stars in the old chestnut comedy about two proper ladies who put poor men out of their misery while their nephew buries the bodies thinking he is Teddy Roosevelt building the Panama Canal. Ends Feb 14. Kennedy Center (254 3670).

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Wednesday January 28 1987

One cheer for Mr Gorbachev

MR Mikhail Gorbachev has, for the nearly three years he has been Soviet leader, talked on and off of the need to introduce greater democracy into Soviet political life as a key part of his reform programme. Now, at last he has come up with concrete proposals. They are not what the West understands by democracy, but they could be a big departure in making Communist Party control of the country less monolithic, if not less monopolistic.

In his speech yesterday to the central committee plenum, Mr Gorbachev proposed that party committees start selecting their secretaries by secret ballot from more than one candidate; that more non-party members be promoted to public office; and that a national conference be held next year to discuss democratisation in Soviet life.

The proposals beg more questions than they answer. How far up the Soviet political ladder would the multi-candidate election system reach? Would it embrace a future contest for Mr Gorbachev's own job, the general secretaryship? With what degree of responsibility would non-party members be entrusted, or how far would the *nomenklatura* system — the secret list of top jobs reserved for the party — be eroded? Does Mr Gorbachev have the power to make the changes, or must he, formally and in practice, wait for the next party congress in four years?

Artificial concept

One positive element is that Mr Gorbachev is applying his "democratisation" to the roots of Soviet power — the party secretaries that run the Soviet Union's 15 republics and their regions, cities and districts. Had he proposed that his multi-candidate proposal apply only to, say, the Supreme Soviet — the parliament that meets for a couple of days a year to rubber stamp decisions taken by the politburo and central committee — then it would be rightly dismissed as eyewash.

But there are severe limitations to any election in which all candidates must be vetted by the party and toe the party line. It affords a choice only of personality, not of policy — useful perhaps on very local issues on which the national party may have no established line, but fundamentally a neutered form of politics.

The fact that there is really no half-way house in freedom of political choice is underlined elsewhere in the Soviet bloc by recent experience in Hungary. For many years Hungary formally encouraged multi-candidate elections. But for the very understandable reason that defeated candidates disliked having to take their defeat personally—as they had to, with no policy differences permitted to to be aired on the hustings—very few electoral competitions took place. So in 1985 Hungary made multi-candidate elections to its parliament compulsory, underlining the artificiality of the concept.

Real diversity

However, Mr Gorbachev does seem to be moving towards a more differentiated view of what constitutes opposition in the Soviet Union than his predecessors who tended to brand all dissent as disloyal. There were clearly special reasons for the recent release of Mr Andrei Sakharov from internal exile in Gorki. It is noteworthy that no mention of Mr Sakharov, since his arrival in Moscow, has appeared in the Soviet media. But other dissidents have recently been freed.

Mr Gorbachev has also urged the Soviet media to fill part of the place, as scourge of the corrupt and inept, that opposition parties would occupy in other systems. The Soviet fourth estate, in other words, is being encouraged to act as second estate to the Communist Party.

Clearly, Mr Gorbachev hopes the process of democratisation will help prise from their perches some of the opponents to his economic and administrative reforms. Yet again yesterday he complained about the slowness of change and widespread misunderstanding of it. The fact that yesterday's plenum was delayed for many months and that so far widely-rumoured personnel changes at the top have still not taken place may indicate continued opposition within the central committee itself.

Democracy, as the Hungarians have found and the Soviets will, thrives only on a real diversity of views and political candidates which offer voters a choice. Mr Gorbachev, it seems, cannot provide that.

Pay, performance and rewards

THERE IS obvious merit in the idea of linking people's pay to their performance, or to that of their company—ideally, to a combination of both. Performance-related pay is already well-established in the US and, in a somewhat different form, in Japan. In Britain the principle is rapidly gaining ground. The number of large UK companies with incentive payment schemes has grown from 24 per cent in 1981 to 63 per cent today.

The British business leaders who have come to prominence since the election of the Conservative government in 1979 have argued forcefully that if the country's industries are to reverse their decline, effort must be appropriately rewarded. Individuals, whether in the boardroom or on the shop floor, must be encouraged to think more deeply about how they can contribute towards achieving their companies' goals. The best way to do that is to hold out the prospect of greater pay, or even significant riches, if those goals are achieved, and nothing but basic salary if they are not.

Such is the force of this argument that when shareholders of the Burton Group meet tomorrow to vote on the ambitious share option scheme proposed by that company, few will question the basic principle of performance-related pay. But some, particularly the pension funds, have already objected to the size of the options proposed.

Individual targets

Beyond the specifics of the Burton scheme, a series of problems surround performance-related pay in general. One is whether incentive payments should take the form of cash bonuses or share options. Cash has the advantage of providing an immediate and tangible reward for successful performance; share options the advantage of giving employees a larger stake in the company and encouraging them to think of the business from the point of view of the shareholders.

There is also the problem of how to balance individual targets with those of the business as a whole. Burton has obviously given some thought to this, specifying that even if the group reaches its targets, its remuneration committee can deny individual employees their share options if they fail to meet the targets set for them individually.

Another difficulty is that the reward to an employee might be the result of luck rather than good work. In the case of options, the scale of the reward is dependent on the movement of the share price, which could change as a result of wholly extraneous factors.

Shareholders' question

Perhaps the most important issue of all is who should fix the targets and the reward for achieving them. The Institute of Directors has rightly stressed that the non-executive directors should help to oversee performance-related schemes so that senior executives are not judge and jury in their own case. But even where non-executive directors play this role, a strong chief executive can often get his way. It is the shareholders who have to exercise their power as the ultimate supervisory body.

Burton's own shareholders are entitled to ask whether the group's existing, well-established incentive schemes cannot simply be continued or renewed. Last year 24,000 Burton employees received £13.1m in bonus payments. The chairman, Sir Ralph Halpern, received £1m in salary and performance-related payments.

Under Burton's proposed scheme, 80 senior Burton employees are to be offered options worth eight times earnings if the company's real earnings per share growth exceeds 30 per cent within a five-year period and cumulative earnings per share growth puts the group in the top 25 companies in the FT-SE 100 share index.

The group has, belatedly, attempted to reassure those shareholders who regard this as excessive by telling them that no individual will receive more than £2.5m under the scheme. So Sir Ralph will not be entitled to £8m worth of options.

There is, as yet, no research which shows that performance-related pay does actually improve performance. Burton replies that this flies in the face of both common sense and experience. But one wonders what Sir Ralph can achieve for Burton on £2.5m that he cannot achieve on £1m.

Faced with public impatience for a cure, scientists have already made awesome breakthroughs in understanding Aids. **Tony Jackson** explores the difficulties involved in converting this knowledge into a practical cure for a disease which has caused panic worldwide

Into war with an enemy they know

THIS WEEK, the last of 23m Government leaflets are dropping through the letter boxes of Britain. They carry a blunt message about one of the most appalling aspects of Aids: "there is no cure."

Mr Norman Fowler, Secretary of State for Health, has put the point even more bluntly. Four thousand people in Britain, he said, are going to die of Aids in the next three years. Nothing can be done about it.

To the lay public, there is something wrong here. Other killer diseases like syphilis and smallpox are now under control or eradicated. If the scientific community canot come up with something against Aids, it must be dragging its feet.

The scientists hotly dispute this. "Those who are studying it stand in awe of what's been achieved," says one. "There is no comparison in the history of medicine for what's been done to attack this disease." So what is the problem?

Aids is caused not by bacteria but by a virus. Bacterial infections — tuberculosis, syphilis, bubonic plague—can be cured by using antibiotics. Viral diseases, from rabies down to the common cold, cannot.

The normal way of tackling a virus is to use a vaccine to ensure it does not take hold in the first place. This can have spectacular results, as in the case of smallpox, the first disease-causing organism to have been wiped from the face of the earth. But some other viruses—the Aids virus so far included—are clever enough to evade vaccines altogether.

If a virus does take hold, there has until very recently been no alternative to letting it run its course. Unlike bacteria, which are independent organisms, viruses — much smaller, and also simpler—invade the cells of the body and in effect become part of them. This creates a fundamental problem; any drug which attacks the virus attacks the cell, and killing the virus risks harming the patient.

Despite the problems, the scientific community is pressing ahead on both fronts, vaccines and anti-viral drugs. Which will get there first?

Dr Arie Zuckerman, professor of microbiology at the London School of Hygiene and Tropical Medicine, says: "As to vaccines, you can divide the scientific community into two—the very pessimistic, and the very optimistic."

The optimists are thinner on the ground. Vaccines work by introducing part of the virus, known as an antigen, which stimulates the body to produce antibodies. But, says Dr Richard Sykes, research head of the drug company Glaxo, "it has to be a stable antigen. If the virus dresses up in a different coat, the body won't recognise it."

When it comes to dressing up differently, the Aids virus is a virtuoso. "With influenza," says Dr Sykes, "you can take say half-a-dozen versions of the virus and combine them in hopes of covering say 90 per cent of cases. But wtih Aids the question is whether the virus changes so fast as to make vaccination useless."

If a vaccine were successfully formulated, it is unclear whether it could actually get at the virus. It depends how far the virus circulates freely in the body, rather than hiding in the cells.

"It's interesting to postulate a connection with the fact that whereas you can catch some viruses within 20 feet of people, Aids is actually difficult to catch," says Dr Sykes. "Maybe the virus is no good on its own, and is unprotected if it isn't in a cell. If it stays within the cell, the antibodies can't get at it."

All the same, says Prof Zuckerman, "we can be reasonably confident that we have sufficient ingenuity to come up with a vaccine eventually. But who are we to try it on? To study efficacy you have to go to high-risk groups. How many people will come forward and volunteer as high risk in the case of Aids?"

Virologists are confident that genetic engineering techniques make it possible to produce a vaccine with no risk whatever of the disease itself. Drug companies, acutely conscious of the perils of litigation, are not so sure.

"With any vaccine there's an element of risk," says Dr Keith Mansford, research head of Becham. "That may not be a factor in Africa, where there is a raging epidemic, but no one in their right minds would suggest inoculating the population of the British Isles with the infection at only this level."

It seems agreed that even if a satisfactory vaccine were discoverd tomorrow, it would take five years to bring it into general use. "I don't think it's a good idea," says Prof Zuckerman, "to raise hopes too highly." But, he adds, "antiviral drugs are much more hopeful. At long last we seem to be getting somewhere there, the best example being acyclovir against herpes."

The parallel with herpes is instructive. Half-a-dozen years ago there was a mini-panic on both sides of the Atlantic about herpes, which although much less vicious than Aids is also sexually transmitted and was then untreatable. The company which came up with the herpes treatment acyclovir—also known as Zovirax — was Burroughs Wellcome, the US subsidiary of the UK's Wellcome Foundation.

The same company has found the most promising treatment so far for Aids—AZT (now to be known as Retrovir). The two drugs have much in common; both work on a similar principle, and both are treatments rather than cures, suppressing the virus rather than killing it.

The trick is to identify the stages in the virus's life cycle, and try to interfere with them. As an essential stage in reproducing itself, the Aids virus forms an enzyme with the exotic name of reverse transcriptase. The enzyme is specific to the virus, and not to the host cell. A drug which inhibits the production of the enzyme should stop the virus from replicating.

This is exactly what AZT does. It may not be the answer to Aids, if only because its side-effects are so severe that it is used only in very sick Aids sufferers. At least one reverse transcriptase inhibitor —suramin, from Bayer of West Germany—has already proved too toxic to be used at all.

But that is not the main point. Attacking the virus through reverse transcriptase was previously only a theory. Since it has been shown to be practicable, a host of research bodies, Wellcome among them, have been working on refining the principle.

And if—as some suspect—reverse transcriptase is not the ideal point of attack, enough is already known about the composition of the virus to suggest other targets. Nor is this the only approach; ribavirin, a drug produced by ICN Pharmaceuticals of the US, appears to hamper the Aids virus in ways not yet understood.

There is a third approach besides vaccines and anti-virals —immunomodulators, or drugs which seek to repair the damage which the virus has done to the immune system. These consist mostly of naturally occurring substances such as interferons, which can be mass-produced through biotechnology. If a drug like AZT can prolong the patient's life, it may prove possible to use immunomodulators to restore the immune system while holding the virus at bay.

In addition, there is scope for drugs which cope more effectively with the secondary infections which afflict Aids victims and actually cause their deaths. As Prof Zuckerman remarks, there is a worrying aspect to this. "We're going to see things we thought we'd eradicated, such as open tuberculosis, re-emerging among Aids patients and reaching the general population. It wouldn't be surprising if we get a whole battery of ordinary Victorian bacterial infections coming back—and though we can treat diseases like TB, it isn't easy."

In the more distant future, though, what are the chances of an outright cure for Aids? This brings in perhaps the most sinister aspect of the virus—its ability not only to expose the body to other diseases, but also to attack the brain on its own account.

Prof Zuckerman believes "it's reasonable to say the virus is neurotropic — that is, it's attracted to the brain and central nervous system. In some studies, up to 40 per cent of patients who have other symptoms also have significant neurological symptoms, including dementia. Some patients turn up with neurological symptoms and nothing else."

Dr Sykes warns: "If the virus is neurotropic, and gets into the nerve tracts as does herpes, I just don't see how you can get rid of it. It's not a question of killing it—it might go away and hide until it's safe to come back.

"Looking on the gloomy side, it could be that in 20 years you'll get a lot of people going crazy because they have the virus tucked away in their brains."

Other scientists privately remark that there could be severe strains on the nation's mental hospitals.

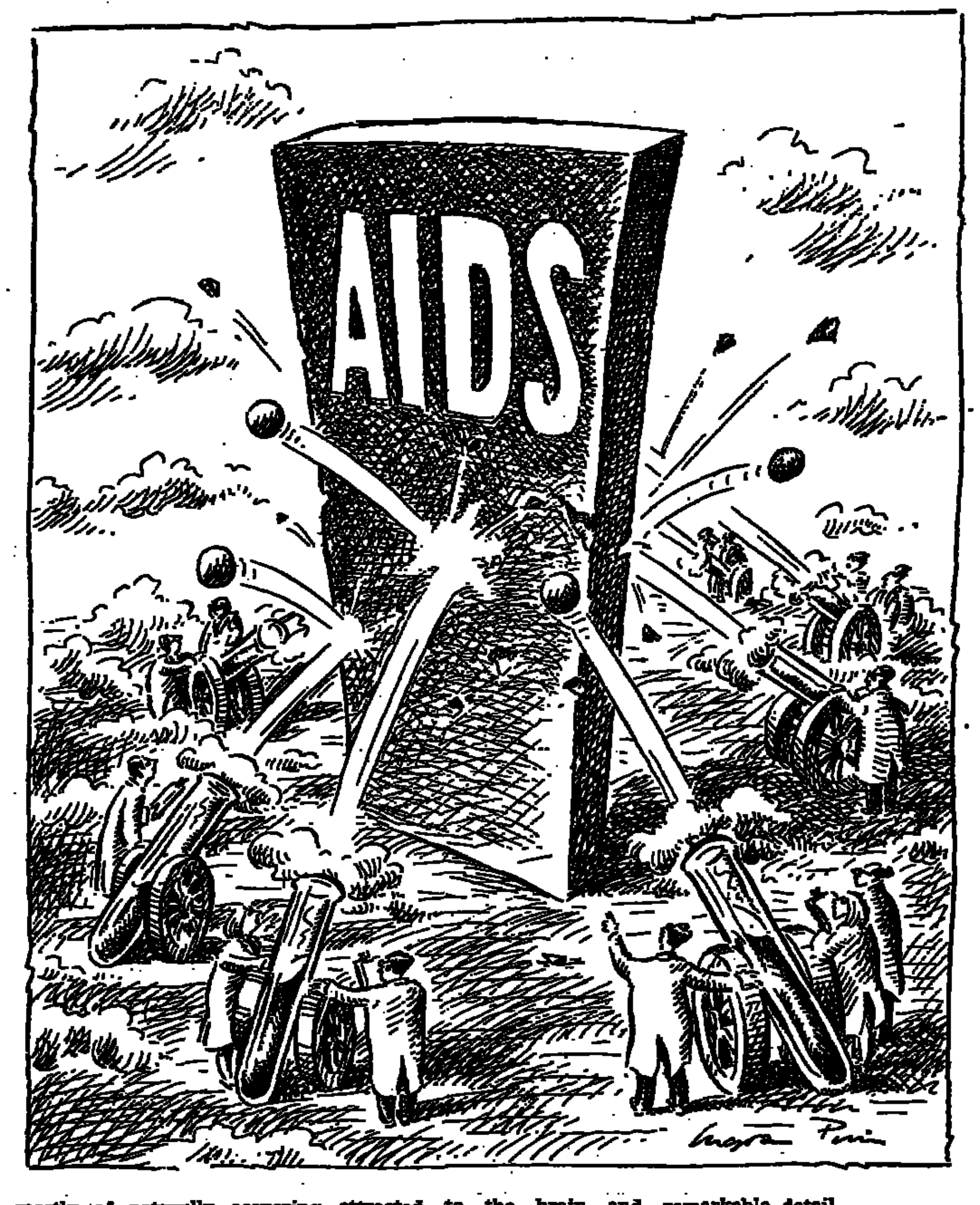
So is the virus to be added to the major cancers as an intractable area for drug research? The scientists turn out to be surprisingly optimistic about this. The chief reason is the astonishing rate at which the virus is yielding information about itself; for an organism which was first identified little over three years ago, it is already understood in remarkable detail.

Money, it seems, is not a problem. In the US, the Government is allocating huge sums to Aids research—though, as the Nixon Administration found in the early-1970s in making a cure for cancer a political objective, throwing money at a disease is not necessarily a solution.

As for the commercial drug companies, Glaxo—which is researching the disease across a fairly broad front—is probably typical. "Just now," said Dr Sykes, "it's only the odd million, while we establish the basics — there's no point in doing more while you're in the dark. But as soon as we see light at the end of the tunnel, we'll put power into it."

Companies like Wellcome who have made their discoveries have turned the power on already. Dr Sykes again: "It's like getting to the moon. In the old days, you could look up and see the moon, and know that with enough money and effort we'de get there eventually. That doesn't work with cancer—you can't see the moon in the first place.

"But Aids you can see, if not very clearly, and everyone's moving forward. Whatever it takes, we'll put into it."



Men and Matters

JWT advertises its troubles

For a large advertising and public relations company, JWT is having problems presenting its own face to the public. After a string of well-aired management and operating problems, it has just fired the chief executive of its J. Walter Thompson advertising agency with the maximum of bad publicity.

Joseph O'Donnell, 43, who took over as chief executive of the advertising agency last March, departed after tangling with the group chairman, Don Johnston. The company says that O'Donnell proposed taking over from Johnston, who is 59, and taking the whole group private in a leveraged buy-out. "He went out to shop the company," Don Deaton, of JWT, says.

O'Donnell says that he was just presenting a buy-out idea which would involve Johnston withdrawing from day-to-day control—which amounts to much the same sort of thing.

O'Donnell had been heir apparent to Johnston, who took over in 1974 and was credited with enlivening the creative reputation of the venerable company. But recently costs have got out of hand. Despite nearly $700m in revenues and a blue-chip client list, JWT has slipped among the least profitable performers in the industry, with a share price to match. The company has had four chief financial officers in the last six years.

O'Donnell was welcomed in Wall Street as a "businessman" and was credited with some success in bringing overheads under control, although group earnings for 1986 will be down again. As Emma Hill, an analyst at Wertheim, sees it, his departure does not reduce the risk "that management could jeopardise the JWT franchise."

"You don't often see that in a merchant bank—must be part of this self regulation business"

Weir's return

Booming consumer spending in Britain's shops has not helped the Retail Consortium, an umbrella organisation of retail trade associations, in sorting out its internal problems.

The latest of a series of management changes is that, for the second time, Richard Weir, aged 54, is going to be the director general of the consortium.

He replaces Tom McNally, a former Labour member of parliament, and one-time parliamentary private secretary to Jim Callaghan when Callaghan was prime minister. Latterly McNally has been the SDP's guru on defence.

Weir will be returning to an organisation which has an unhappy track record of keeping its top people. Weir was director of the consortium from 1975 to 1981. He left it to join the Building Societies Association as secretary general.

Weir's successor at the consortium, Bob Lloyd-Jones experienced difficulty in his attempts to keep warring factions over such issues as Sunday trading under control. His acting successor was Patrick Rock—who succeeded in losing the safe Conservative seat of Portsmouth South.

McNally's decision to join the consortium a couple of years ago came as a surprise to his colleagues. His decision to quit in what may prove to be a general election year is seen as being in line with his ambition to re-enter Parliament.

Power-drive

Italian industrial giant Fiat, earning pots of gold once again as its results showed yesterday, has begun using a rainbow analogy to describe its cars business.

With the integration of Alfa Romeo into a joint company with Lancia on January 1, Fiat now controls virtually the entire Italian car industry—namely Fiat, Lancia, Autobianchi, Alfa and the luxury maker Ferrari.

So, say Fiat men proudly, once Alfa is properly absorbed there will be no part of the cars spectrum in which a model from the grouping will not be found.

One result of the New Order has been to concentrate an unprecedented amount of power in the hands of Vittorio Ghidella, aged 54, managing director of Fiat Auto, whose name has been synonymous with that of the group since the early 1960s.

For Ghidella is now not only md of Fiat Auto, but has become chairman of Alfa Lancia Spa, the new joint company, as well. Add the fact that the legendary Enzo Ferrari, in his 80s, is now only honorary chairman of Ferrari Spa, with the executive chairmanship held by you-know-who, and it becomes difficult to see how much further over the rainbow Ghidella's carrer can go.

Truly an Italian Wizard of Oz.

Space memory

Until a year ago today, Alan Helman, president of a firm of architects in Orlando, Florida, had "only a passing interest in the space programme." Then came the explosion aboard the space shuttle, Challenger, killing seven crew.

Like millions of others who watched the disaster on television, Helman was deeply shocked. He has spent much of the past year organising a trust fund to raise several million dollars for a memorial to the astronauts.

Helman, 47, says letters of support and cheques have reached him from all over the world. But it is in Florida, home of the Kennedy Space Centre, that one of his fund-raising ideas has really taken off.

From the beginning of this month, people who buy licence tags for their cars from the state have been able to pay an extra $17 for a plate with a picture of the space shuttle on it. Of this sum, $15 goes to the Astronauts Memorial Foundation. The other $2 pays for the extra administration.

In the first eight working days in January, Helman raised no less than $270,000 in this way. He reckons, at this rate, he is well on course to collect enough money for construction to begin next year.

Under Helman's plans, the memorial—including some kind of monument, and an education centre to inform the public about the space programme—will be built at the Kennedy Space Centre.

Between the lines

Striking telephone engineers claim that "in one area, at least, 60 per cent of the call boxes are out of action." From experience, I would say that means things are better than normal.

Observer

The strike at BT

The new model dispute

By Charles Leadbeater

Strikers at BT's Bishopsgate, London, office yesterday
Alan Harper

IF THE 1984-85 miners' strike was a final blast from the labour movement of old, the strike by 140,000 British Telecom workers might be a warning from the labour movement of the future.

It is not just that BT is the largest private sector employer. Nor that it is supposed to be a high technology powerhouse of the economy.

The significance of the strike—which follows the collapse of long-running pay and productivity talks—is that while others have attempted to resist the onward march of Thatcherism, this dispute takes place on territory that has apparently been colonised.

Consider the leading actors:

- Most of the strikers are shareholders. The skilled telephone engineers enjoy relative job security and good earnings.
- The moderate union leaders were elected through individual ballots conducted under the Government's Trade Union Act 1984. The union regards as one of its chief assets the pre-strike ballots (held under legislation designed to make strikes less likely), which revealed overwhelming support for industrial action.
- The company, privatised in 1984, is attempting to reinforce a transfer of ownership with a transformation of its corporate culture.

The strike is a test of momentum in the privatisation programme. Industrial relations at BT are in the melting pot and the outcome should help answer the question: What does privatisation mean beyond a change of ownership?

The dispute also raises the question of whether the National Communications Union, which built its strength when BT was in the public sector and exhausted itself in a struggle against privatisation, can assert itself in the commercial world.

For BT, as Mr Ian Vallance, the Chief Executive, put it in a letter to key customers: "The issues at stake are essential if we are to give customers a good service and value for money in the longer term."

But it could also be asked: Is the flagship of privatisation and high technology in danger of being becalmed?

Since privatisation, BT has set out to limit the role of national negotiations and give more weight to local agreements. Decentralisation should give managers greater freedom to manage.

The next step might be local pay and productivity deals, which would undermine the unifying role of national negotiations, from which the union draws so much of its strength.

The company is reviewing all its national agreements with the NCU to determine how they fit in with its commercial requirements. In the present negotiations BT is seeking to end demarcations between installers, testers and maintenance engineers. It also wants to simplify grading to ease internal labour mobility, and to introduce special grades to recruit technical officers.

However, decentralisation has yet to become embedded. The unions, ill-equipped to negotiate locally, have put ever greater efforts into national bargaining.

They also realise that great power still rests with BT's senior executives, who set cost targets for the 30 district profit centres. Indeed BT, possibly uncertain whether decentralisation is succeeding, is reviewing the mix of local and central negotiations.

BT has yet to instil commercial drive among line managers

One reason for this might be that the unions are not the only obstacle to change. BT management is split between the post-privatisation whizzkids in marketing and sales and the traditionalists in engineering, who want as many staff as it takes to provide a high quality public service.

Furthermore, BT recognises it has yet to instil the necessary commercial drive among its line managers.

As much as the dispute's source is in the move out of the public realm, it also reflects the way BT was privatised.

BT is keen to impress the City—whose rating of the company has not been much affected by the strike—with the profits which can be generated from domination of the telecommunications market.

In the final weeks of the failed pay negotiations, the company announced interim profits were up 11 per cent to £1.06bn, raising the pay expectations of the shareholding members of the NCU.

Senior managers say the limited competition BT faces from Mercury has been a vital lever on the unions in the past two years. And Mercury's role may help explain the timing of the dispute.

"At the moment Mercury faces engineering constraints which mean it is not in a position to pick up much business from the strike. But in a year's time Mercury will be geared up and much more able to compete in the City, and on long distance and international services," says Mr Doug Hawkins, a telecommunications analyst with stockbrokers James Capel.

To face this competition BT may have to contemplate a faster rate of job loss than 6,000 a year over the next four years. Indeed some senior managers believe the system could be run with 50,000 fewer staff without a loss of quality.

A showdown weakening the union might give BT vital room for manoeuvre and be preferable to a damaging strike in a year's time. However, Mr Mike Bett, managing director of the inland communications division, denies any intention to crush the union.

With further liberalisation planned for 1988 and beyond, BT could be in a no-win situation. A settlement to buy off the engineers would be seen by many in the Government as a concession to monopoly union power. A long, customer-harming dispute would be similarly criticised. Either could be used as a justification for more competition to free consumers from dependence on BT.

So the dispute is also crucial to the union, which is attempting to find a new role. As well as facing the prospect of continuing job losses and a move away from national bargaining, the NCU is concerned that BT might use diversifying acquisitions to start breeding a non-unionised adjunct to its business.

The NCU, unlike the print unions prior to Wapping, has committed itself to changing working practices and pay structures. In detailed talks after Christmas, the two sides came close to agreeing a productivity package.

Mr John Golding, the NCU's general secretary, both understands the need for change and has a grasp of the political complexities within a newly privatised company. However, he remains determined to defend his members' interests, combining flexibility with die-hard bargaining.

Under his leadership, the union shows that realism and commitment to negotiating does not rule out effective, law-abiding flexing of industrial muscle.

This characteristically modern dispute, then, might be a test of a new model unionism. Negotiations over flexibility go hand in hand with tactical use of the strike weapon, built on the balloting provisions of the trade union legislation rather than in spite of them.

BT seems caught between being tough with what it believes to be a union wedded to the ways of the public sector, and creating a corporate culture to match its high-tech image. Does it know where it is going?

Mr Golding is fond of comparing publicly owned BT to Japanese industry. "We had lifetime employment, commitment to serving the customers with high quality, combined with internal flexibility. Now BT seem to be taking an approach similar to GEC's. Why on earth do they want to make us like British manufacturing industry?" he asks.

BT executives would find this description disingenuous. However, as yet, the company has not developed a comprehensive commercial alternative to the ethos of the public sector.

The evidence from foreign post, telephone and telecommunications utilities is that BT will have to do so to succeed. The publicly owned Deutsche Bundesposte, which operates 115 lines per employee compared with BT's 81, has negotiated improvements in efficiency through long-established co-operation with the unions, while maintaining a commitment to public service, according to Mr Kevin Morgan, of Sussex University, who is completing a study of European utilities.

Realism does not rule out the flexing of industrial muscle

A report on AT and T, compiled for the Society of Telecom Executives, the middle managers' union at BT, says the company has combined commercial drive with job losses, through the establishment of widespread employee involvement and a participative management style.

BT managers are convinced of the need for a commercial culture, but believe it cannot be introduced until it is certain the company will stay private.

As yet it is unclear whether the dispute will be long or short. But, however it is settled, it is a test of the new model unionism and the new commercialism of the mid-1980s.

The US economy

Don't undervalue the Reagan revolution

By Paul Craig Roberts

IF THE Dow Jones average's sharp surge past the 2000 mark is a guide, the Reagan economy in 1987 will confound the doomsayers for the fifth year in a row. It is a striking fact that practically no one has given that economy good marks except the financial markets. New highs in the values of financial assets continue to occur despite historically large budget and trade deficits and consistently gloomy predicitions from the pundits. Either the people who bet their money on the economy are mistaken or the situation is better than the experts have led us to believe.

There are other indications in addition to the stock market that the US economy is better than we think. The percentage of the population that is participating in the work force is the highest in history — an indication that people are finding job opportunities. Compared with the rest of the world, the US has had a high powered job machine in the 1980s.

Yet another indication of success is the continuing fall in inflation even though the economy continues to expand — a result many experts thought was no longer possible. This suggests that the economy may be experiencing productivity gains that are not being measured by statistical techniques dating from a time when the economy was different. Indeed, some noted productivity experts, such as John Kendrick of George Washington University, believe that the economy is growing faster than out-of-date measures indicate.

If so, there is no basis to the fears that good inflation performance is due to a weak economy and that inflation will start to rise if the economy picks up steam. These fears have influenced Paul Volcker, the Federal Reserve chairman, and caused him to sit on the economy with higher interest rates than we need.

Despite the good performance of the Reagan economy, problems exist. But the real problems are different from the ones most experts are worrying about. Most concerns still centre on the budget and trade deficits. Yet the dire predictions of rising inflation and higher interest rates have not materialised.

The predictions proved wrong because the experts misunderstood the cause of the budget deficit. Most saw it as an effort to stimulate the economy with excessive tax cuts, and it was only natural to reason that such a policy would worsen inflation.

In fact, however, the deficit was caused by the collapse of inflation. Inflation came in below the amount budgeted in the forecast, causing the Government to spend more in real terms than intended and to collect less in revenues than expected. Since the budget is prepared in nominal terms, deficits automatically result if inflation turns out to be lower than the Government expects. The effects are cumulative and long-lasting.

A one-year spending freeze would bring the deficit under control and adjust the budget to the unexpected disinflation. With inflation so low, this solution would hurt no one. The main reason it has not been adopted is that the contending factions in the Government — Congress and the Administration—are addicted to the deficit as a means of bashing each other's policies. Congress blames President Reagan for cutting taxes and for spending too much on defence; the White House blames Congress for spending too much on domestic programmes. If the deficit disappeared as a political issue, the two parties would have to find a new problem to pin on each other.

The real problems we face stem from the propensity of policymakers to be self-serving, to play politics with issues, and to make mistakes. For example, Mr Volcker used the hysteria over "inflationary tax cuts" to drive up the value of the dollar and to inflict severe price deflation on the agricultural and energy sectors of the economy.

Even today, many businesses hesitate to expand their operations for fear that the Federal Reserve will undermine their plans by raising interest rates once business activity picks up. As long as the Federal Reserve chairman believes that economic growth is the cause of inflation and that the economy has to be restrained to keep inflation low, it will be difficult to generate the growth in income needed to service the accumulated piles of debt.

Even when government, in good faith, attempts to solve a problem, it is as likely as not to make matters worse. For example, in September 1985, the US, Japan and West Germany agreed to help the US trade deficit by driving down the value of the dollar. However, the Japanese and Germans drove the dollar down by tightening their own monetary policies and driving up the value of their currencies. The tighter money threw the Japanese economy into recession and weakened German economic growth. Consequently, the markets for US exports did not improve. The result was to weaken the dollar without reducing our trade deficit, creating a new fear about a weak dollar and giving Mr Volcker a new reason for refusing to lower interest rates.

The greatest danger from the budget and trade deficits is the excessive rhetoric they have generated. Spurred on by fear of crisis, policymakers advocate solutions that are worse than the problems. Trade protection, higher taxes, slower world economic growth would all do more damage than the problems they are suposed to cure.

President Reagan can regain the initiative by separating the effort to reduce the budget deficit from the fight over budget shares. The easiest way to do that is to veto any spending bills in excess of last year's appropriations. The main advantage to be had by gaining control over the deficit is to avoid the dangerous cures that are being proposed.

The supply-side tax rate reductions that are the hallmark of Mr Reagan's presidency promise a renewal that goes beyond dollars and cents. What President Reagan has done is to re-establish the right of taxpayers to be majority shareholders in their own income. This reaffirmation of the rights of individuals is already reverberating throughout the world and, in the end, will drown out the carping of the critics.

The author, a former Assistant US Treasury Secretary, is Professor of Political Economy at the Center for Strategic and International Studies, Georgetown University.

Letters to the Editor

Millionaires and motivation

From Mr D. Gilling-Smith

Sir,—The problem of successful companies that grow big is to attract, retain and motivate the people who are good enough to leave and turn themselves into multi-millionaires by starting companies of their own.

Success stories of British industry have in the main been due to small numbers of charismatic (often flamboyant and controversial) personalities who have succeeded in instilling into large corporations the dynamic team spirit of the small entrepreneurial business. And at the same time they have handed on vastly increased wealth to large numbers of shareholders and the opportunity to earn high salaries and to build satisfying careers for their colleagues and staff.

But while the entrepreneur who has created his own company can sell it the entrepreneur like Sir Ralph Halpern, who has revived the fortunes of a previously ailing giant, must look for a comparable reward to a well structured total remuneration package. One must bear in mind the continuing need to appeal to the imagination of new recruits in their 20s and 30s with a prospect of achieving wealth on the grand American scale if they stay with their employer and are successful.

Opposition to efficient use of money to motivate comes from various sources. Apart from the Luddite egalitarian there are many well meaning souls who are as prissy about the idea of earning big money as the Victorians were said to be about sex. More often it is a case of old fashioned jealousy. Just as the bad manager resents the success and high commission earnings of a rising star subordinate, so some of these second rate committee men, supposedly representing shareholders, tend to take a jaundiced view of financial success in others and exploit their position of trust in order to restrict the rewards of such success.

It is such behaviour that establishes a bad reputation for the dead hand of the "institutional investor" who is often reputed to favour the advancement of the faceless person skilled in office politics (who is likely to turn a successful company into a lame duck) in preference to the unconventional outsider with talent.

The outcome of Burton's share option battle is important not just for its shareholders and staff, but as a green light for the establishment of more unrestricted high performance award schemes in other companies. It will be interesting to see whether the grass root response of the general body of shareholders is more in sympathy with Sir Ralph than the grudging reaction that some of the envious big boys would suggest. Long range forecasters of Britain's industrial performance and share price movements will be viewing the result as a useful indicator.

Dryden Gilling-Smith,
EBS (Management).
38 Finsbury Square, EC2.

Collision over Christmas

From Dom Bernard Orchard

Sir,—Mr Robin Lane Fox's reply (January 17) to his critics, "Arguments collide over Christmas," totally fails to answer my critique of his thesis. Luke's Greek style (1:1-4) proves his culture, and 2nd century witnesses proclaim him to be a physician. As a Christian friend of Paul he was in a unique position to learn the true facts about Jesus, while Josephus the Jew was not—although his account of Jesus (see Shurer, I, 428f) indicates that he knew quite a lot about him. In any case, Luke was a man of integrity, Josephus was not. To conclude then by calling the whole Lukan Birth Narrative "a charming fiction" is to reveal deep prejudice—surely a shocking state of affairs in a historian!

(Dom) Bernard Orchard.
Ealing Abbey, Ealing, W5.

Inflation and the low paid

From the General Secretary Elect, Civil and Public Services Association

Sir,—You reported (Jan 19) Treasury figures which show dramatic inequality in rises in real income since 1979, between the highest and the lowest paid. According to the Treasury, earnings for the highest decile rose in real terms by 21 per cent between April 1979 and April 1986 (married man with two children, after tax). The corresponding figure for the lowest decile was an increase in after tax real earnings of 2.9 per cent. These figures are alarming enough, and belie the Government's talk of the low paid pricing themselves out of jobs.

Even these figures do not tell the whole story, however. They assume that all income groups face the same rate of inflation. This is not the case. The Low Paid Price Index measures the different rates of inflation faced by the lowest decile of earners, and, for comparison, the highest decile. Measured against the price index for their income group, the highest decile shows an increase in real earnings of 20.2 per cent since 1979. The lowest decile shows a fall of 0.4 per cent.

Thus the small increase in standard of living for the poorest families implied by the Treasury is more than wiped out by the higher inflation faced by the low paid. Just two examples show this. While the Retail Price Index has gone up by 80 per cent since 1979, the Government's price index for fuel and light has risen by 114 per cent, and that for housing by a massive 136 per cent. Both of these comprise a larger proportion of spending for the low paid than they do for the better off.

One final telling point on this is that many of the low paid are employed by the Government itself, as civil servants, and they have seen a dramatic fall in their real earnings over recent years. The latest New Earnings Survey shows that over a quarter of clerical civil servants are paid less than £100 pw and 10 per cent get less than £85 pw.

John N. Ellis
215 Balham High Road
SW17

Development risks

From the Director General, British Forging Industry Association.

Sir, — The controversial "development risks defence" in the Consumer Protection Bill has now been supported in Committee by the House of Lords, and this is welcome news to manufacturing industry and those whose livelihoods depend upon it. Industry must be free to innovate, and although new products must be rigorously tested, it is unreasonable that manufacturers should be held liable in years to come for hazards which cannot, in the prevailing state of knowledge, be foreseen at the time of manufacture.

If a pharmaceutical company produces a new drug to kill the AIDS virus, it may be found in years to come to have catastrophic side-effects which cannot be foreseen now. Do we therefore suspend medical research? Of course not.

On the other hand, it has to be faced that where the development risks defence is successfully invoked, innocent individuals may suffer severe injury and have no remedy. One can readily understand that the consumer movement finds this an unacceptable situation, which vitiates one of the fundamental objectives of the legislation.

What is needed, therefore, in these hopefully rare cases is a state compensation fund, strictly limited to injured parties who have pursued manufacturers through the courts, and failed solely on account of the development risks defence.

There is no case for automatic state compensation to all those who suffer injury, but there is every case for a state safety net for those who have lost out as a result of a technicality, albeit a very necessary one, in legislation.

David A. T. Powis,
245 Grove Lane,
Handsworth, Birmingham.

Demand for small units

From Dr D. Green

Sir,—Ansel Harris (January 17) is quite correct in his analysis as far as he goes. From our extensive research, however, several important additional points arise.

The supply of, and demand for, small units varies enormously throughout the country. In the Midlands and north small units are available from 50p per square foot. Small businesses would have no property constraints in these areas.

Small business property is predominantly developed for the advantage of developer not the small business start-up. The 100 per cent industrial business allowances small workshop scheme for example benefited the developers' portfolio, but produced little low-cost start-up space. Many IBA schemes are still unlet. Interestingly, small unit rentals in Europe are significantly lower than in Britain (on average). The property industry itself shows little interest in low-cost space because of perceived high management costs and low rates of return.

To achieve an increase in low-cost start-up space we need to modify our views about small business property. After all, the demise of the small firm is frequently blamed on city redevelopment and the demolition of cheap accommodation. Start-ups do not need glossy space. This can be provided by the conversion of redundant property of which there is no shortage or by the use of spare space. For this latter case, companies do find themselves with spare space, usually because of internal restructuring, sub-divide and let to small businesses. In this way they both reduce overheads and provide rent income while at the same time providing low-cost homes for new companies.

(Dr) D. Howard Green.
Leeds Polytechnic,
Brunswick Building, Leeds.

FINANCIAL TIMES

Wednesday January 28 1987

ALEXANDERS LAING AND CRUICKSHANK SEVERS RELATIONSHIP WITH TONY PARNES

Another victim in Guinness affair

BY CLIVE WOLMAN IN LONDON

THE GUINNESS affair yesterday claimed its latest victim and its first London stock exchange member when the securities firm, Alexanders Laing and Cruickshank, terminated its relationship with Mr Tony Parnes.

ALC has been investigating Mr Parnes' role in inducing at least one client to buy Guinness shares during last year's takeover battle for Distillers, the drinks group, as part of an extensive share rigging operation. The firm said yesterday that it would be passing on its findings to the stock exchange, indicating that a serious disciplinary offence may have been committed. The exchange may then pass on the file to the UK Department of Trade and Industry inspectors investigating Guinness.

Mr Parnes was an associate of ALC and worked, usually from early morning, in its offices. Although he was self-employed, he shared all the commissions he generated with ALC.

By severing its links with Mr Parnes, ALC has effectively cut him off from carrying out any further dealings on the stock exchange as a broker. If Mr Parnes wishes to resume dealing, he will have to join another firm as an associate, submit references from ALC and seek approval from the exchange's membership committee.

Mr Parnes, nicknamed "the animal," acted as the personal stockbroker for several prominent business people including Mr Gerald Ronson, head of Heron Corporation. He is also the brother-in-law of Mr Gerald Ratner, chairman of Ratners (Jewellers), a connection which led to a sharp fall last week in Ratners' share price, although Mr Parnes has no commercial links with the firm.

Mr Parnes admitted last week that he believed he was the stockbroker Mr Ronson referred to in his letter in which the Heron chief returned the £5.8m ($8.8m) he was paid by Guinness for supporting its share price.

In another development arising from the Guinness affair, the Bank of England's supervisory division yesterday sent a letter to all the merchant banks which indicates a tightening-up in its monitoring of their corporate finance departments. The letter contains a checklist of questions it will be asking them about the detailed management of the departments.

UK cautious over British Airways sell-off

BY RICHARD TOMKINS IN LONDON

THE British Government has decided on a cautious approach to the flotation of British Airways by putting a price tag of 125p on the airline's shares instead of the 130p which had been seen as the most likely alternative.

The pricing appears to be an eleventh-hour attempt to stimulate interest in the issue among UK investors. So far, only 500,000 people have applied for prospectuses, compared with 7m at the same stage of the British Gas flotation.

In another attempt to attract investors' attention, British Airways staged an eleborate publicity stunt on London's River Thames last night. A 50ft floating globe illustrating BA's route network was showered with laser beams from the river banks as Concorde staged a low-level fly-past.

Overseas interest in the British Airways flotation is strong, particularly in the US, but the Government's advisers fear that this enthusiasm will collapse if the issue proves unpopular in the UK.

With 720.2m shares being sold, British Airways' value at the issue price will be just over £900m ($1.37bn). The gross dividend yield wil be 6.8 per cent and the shares will be sold on 6.3 times forecast *earnings* per share.

The minimum number of shares that can be applied for is 400, but payments will be in two instalments – 65p a share now and the other 60p in August.

Some 20 per cent of the shares are to be sold overseas, through public offerings in the US and Canada and private placings in Japan and Switzerland. Another 45 per cent of the issue will be available on special terms to British Airways' employees.

This leaves only 25 per cent of the issue for the UK public, but if this part of the offer *is* subscribed at least three times, 20 per cent of the overseas and institutions' shares will be clawed back into the UK public offering.

The triggering of this clawback arrangement is seen as the benchmark against which overseas investors will judge the success of the UK domestic offering. It could therefore prove to be the key to the success of the issue as a whole.

Mr David Bucks of Hill Samuel, the merchant bank sponsoring the flotation, said yesterday that he was confident that clawback would be triggered at an issue price of 125p. "At 130p, I think it would have been very much less certain."

The British public's low-key response to the flotation so far reflects the Government's decision to direct the issue more towards experienced investors, but some critics believe this process has been taken too far.

The market yesterday welcomed the lower price and predicted a successful flotation. Forecasts of the likely opening price are at around 140p-145p, with an increase to 150p-160p in the short term.

Gorbachev unveils programme for reform

Continued from Page 1

Gorbachev, who has been in power for just under two years.

"That section of the population, young people among them, whose ultimate goal in life was material well-being and gain by any means grew wider.

"Their cynical stand acquired more and more aggressive form, poisoning the mentality of those around them and triggering a wave of consumerism.

"The spread of alcohol and drug abuse and a rise in crime became indicators of the decline of social mores," said Mr Gorbachev, who has encouraged public discussion of these problems, which was denied under Brezhnev.

"Disregard for laws, report-padding, bribe-taking and the encouragement of toadyism and adulation had a deleterious effect on the moral atmosphere in society," he added, in a clear reference to the extravagant praise once heaped on Brezhnev.

On his death, Brezhnev was formally hailed for his "historical services" *to the country as an* "outstanding leader" of the party and state as well as of the international communist movement.

The Volga industrial city of Naberezhniye Chelny was renamed for him as well as a Moscow suburb, squares in some big cities, power stations, schools, factories, an atomic ice-breaker, a naval vessel and a passenger liner.

Listing areas where corruption was rife "in extremly ugly forms". Mr Gorbachev mentioned Moscow. The Foreign Trade Ministry, the interior ministry, three Central Asian republics of Kazakhstan, Uzbekistan and Turkmenistan and two big regions in the south of Russia, Krasnodar and Rostov.

Mr Gorbachev said that almost all the political and economic ideas of the leadership in the late 1970s and 1980s had been set in a mould formed 30 or 40 years before and the Soviet Union had to break out from this.

During this same period there was no renewal of the top leadership in the Politburo and the top executive organs of the ruling party. As a result it had been necessary to change most of the people holding the top jobs at the same time, thus disrupting the work of government.

It has been evident since last summer that Mr Gorbachev is frustrated at the lack of progress made in changing Soviet political and economic *management. The emphasis* in his speeches switched from the economy to politics and the resistance to change from the party and state Apparat.

"Their main concern is to preserve the old, obsolete ways, to preserve their own privileges, even though this does not accord our principles, laws, morality or with our present policies," Mr Gorbachev told a meeting in Krasnodar in the north Caucasus last September.

At this stage Mr Gorbachev had already promised that the next meeting of the Central Committee would be about "cadre policy", the Soviet shorthand for personnel policy. Since then the Central Committee meeting has been postponed at least once, possibly because of resistance from party old guard.

How radical are the proposals which Mr Gorbachev now says are being considered? Multi-candidate elections for local councils and the Supreme Soviet, the rubber stamp parliament of the Soviet Union, might lead to greater debate on issues but would not affect the real power structure of the Soviet Union, where all real power is held by the Communist Party.

The real significance of changes proposed yesterday will be the degree to which the authority of the ruling 19m strong Communist Party is diluted and election to party posts made democratic. These posts *are filled at present from above and* with little attention paid to party members, who enjoy a nominal right to vote through a show of hands, a vote which is invariably unanimous.

In the key section of his speech Mr Gorbachev said that all party leaders, including the provincial party chiefs, "could be elected by secret ballot at the plenary sessions of the respective party committees. He added that the Politburo of the party also believed that the central organs of the party (presumably including the 12-Member Politburo itself) would also be chosen by more democratic means.

Although Mr Gorbachev said that party rules would "remain unshakeable" it is doubtful if the military style discipline of the Communist Party as created by Lenin will survive the introduction of real democracy in the selection of its officials, even though democratic choice would be confined to party members.

In his long speech Mr Gorbachev continually emphasised that public opinion had to be taken into account if the reform of the economy and every other area of Soviet life was to carried through. He cited Krasnodar province, an area notorious for corruption under Mr Brezhnev, where he said 8,500 managers had been promoted since 1983 after consultations with the workforce *and party members, and another* 200 rejected.

There was no sign yesterday, however, of a major reshuffle in the Politburo which some Soviet officials had said they expected. Such changes would not normally be announced until the final day of a Central Committee meeting which in this case ends today.

USX suffers $1.8bn loss after write-down

BY JAMES BUCHAN IN NEW YORK

USX, the embattled US steel and energy concern, yesterday reported operating income for 1986 of $263m but wrote off around a quarter of its equity in a drastic write-down of the value of its steel, coal and chemical businesses and of its oil and gas properties.

The mammoth fourth-quarter charge, which amounted to $1.5bn before tax and may be a prelude to large asset disposals, resulted in a loss for the fourth quarter of $1.41bn (against a profit of $89m or 25 cents a share) and a loss for the year of $1.83bn, against earnings of $598m or $1.94 a share.

Despite the loss, USX, which has just fended off a $31 a share takeover bid from Mr Carl Icahn, maintained its quarterly dividend at 30 cents a share.

Revenues, which were badly hit by a six-month strike in the steel business, which was only settled last week, and by the fall in oil prices, fell from $5bn to $2.8bn for the quarter, and from $20.8bn to $14.9bn for the full year.

In addition to the write-down of *asset values and the costs of* reducing the workforce and of the strike, the loss for the year includes a further $300m for the redemption of debt securities at Marathon, the oil and gas subsidiary, $300m for the write-down of oil inventory and special tax provisions because of the loss of investment tax credits.

World Weather

		°C	°F
Ajaccio	C	11	52
Algiers	F	21	70
Amsterdam	F	2	36
Athens	F	16	61
Bahrain	S	25	77
Bangkok	S	30	86
Barcelona	S	15	59
Beirut	F	15	59
Belfast	C	4	39
Belgrade	S	1	34
Berlin	S	-2	28
Biarritz	S	19	66
Bombay	S	33	91
Bordeaux	S	13	55
Brussels	Fg	-2	28
Budapest	S	-1	30
B. Aires	S	35	95
Cairo	S	15	59
Cape Town	F	25	77
Caracas	S	24	75
Casablanca	F	20	68
Chicago	Sn	-11	12
Cologne	C	-2	28
Copenhagen	C	-2	28
Corfu	S	14	57
Dallas	–	–	–
Dublin	C	5	41
Dubrovnik	F	12	54
Edinburgh	C	3	37
Faro	F	18	64
Florence	C	12	54
Frankfurt	F	-1	30
Funchal	F	18	64
Geneva	C	1	34
Gibraltar	–	–	–
Glasgow	C	3	37
Guernsey	C	2	36
Helsinki	S	-17	1
H Kong	S	17	63
Innsbruck	S	1	34
Inverness	C	3	37
Islamabad	S	24	75
Istanbul	R	9	48
Jakarta	R	29	84
Jersey	C	1	34
Jo'burg	S	25	77
Lima	C	27	80
Lisbon	C	16	61
London	C	5	41
Los Angeles	C	30	86
Luxembourg	F	-4	25
Madrid	F	13	55
Majorca	S	18	64
Malaga	F	17	63
Malta	S	15	59
Manchester	C	2	36
Manila	C	30	86
Melbourne	C	21	70
Mexico City	S	22	72
Miami	S	11	52
Milan	C	2	36
Montreal	S	-15	5
Moscow	Sn	-15	5
Munich	S	-1	30
Nairobi	C	28	82
Naples	C	11	52
Nassau	S	25	78
New Delhi	S	22	71
New York	S	-6	22
Nice	F	12	54
Nicosia	S	12	54
Oporto	C	14	57
Oslo	S	-5	23
Paris	C	-1	30
Peking	S	8	46
Prague	S	-5	23
Reykjavik	Fg	2	36
Rhodes	R	14	57
Rio de J'o	R	32	89
Rome	R	11	52
Salzburg	S	1	34
San Francisco	R	16	61
Seoul	S	5	41
Singapore	C	29	84
Stockholm	Sn	-10	14
Strasbourg	F	-1	30
Sydney	R	27	80
Taipei	C	15	59
Tangier	F	20	68
Tel Aviv	R	16	59
Tenerife	S	22	72
Tokyo	S	9	48
Toronto	S	-14	7
Tunis	F	18	64
Valencia	F	19	66
Venice	C	5	41
Vienna	F	-1	30
Warsaw	S	-7	19
Washington	S	-12	10
Zurich	C	0	32

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Concern grows in Beirut for UK church envoy

Continued from Page 1

However, there was also speculation in Beirut that Mr Waite may be locked in arduous and intensive negotiations which have been complicated by conflicts between rival groups holding the hostages.

Disputes are believed to have arisen within the security command of the Hezbollah faction over how best to handle the hostage issue. This dispute has intensified during the recent wave of kidnappings in West Beirut, sparked in part by the arrest in West Germany of Mohammed Ali Hamadei whom the US wishes to extradite for his alleged participation in the hijacking of the TWA jet to Beirut in 1985.

West German police revealed yesterday that they had also arrested Mr Hamadei's brother, Ali Abbas Hamadei, after a shooting incident in which one person was wounded. Police would not say immediately where Ali Abbas Hamadei was arrested or what charges were being brought against him.

A third brother, Abdel Hadi Hamadei, is a senior member of the Hezbollah security command. There is speculation in Beirut that he has insisted that the release of his brother from West Germany should take priority over other issues.

Hezbollah is under the direct influence of Iran but is also subject to pressures and rewards from Syria, Libya and the Palestinians.

China buys airline stake

Continued from Page 1

from the Hongkong and Shanghai Banking Corporation, Cathay's second largest shareholder at HK $6 each. As a result, Swire Pacific's holding in Cathay is diluted from 54.25 per cent to 50.23 per cent, while the bank's holding is cut from 23.25 per cent to 16.43 per cent. The public now holds slightly under 15 per cent.

The new issue of shares is priced some 10 per cent below the HK $5.60 per share traded *immediately* before Cathay shares were suspended on Monday. Mr Miles denied that the price amounted to "friendship" money for China, arguing that such discounts are common with new issues, and that it represented a substantial premium on the HK $3.88 per share offered in the public flotation of April 1986.

Swire and Citic have had a joint venture company, Citic-Swire Development. For two years. Citic, which has arranged numerous investments in China and the region, also saved Hong Kong's Ka Wah Bank from collapse in early 1986, when it took a 95 per cent stake through a HK $350m capital injection. It also holds an interest in the territory's second cross-harbour tunnel project.

Taiwan, has a policy of no contact whatsoever with China, and for that reason services between Hong Kong and Taiwan are now based on an "understanding between governments," rather than a more formal air services agreement.

Howe calls on Soviet Union and US to 'face realities'

By Robert Mauthner in London

SIR GEOFFREY HOWE, the British Foreign Secretary, yesterday implicitly criticised the US and the Soviet Union for their "visionary" approach to nuclear arms control and stressed that their negotiations could succeed only if they were based on hard realities.

Allowing visions to dominate immediate negotiating positions – as they appeared to have done in last October's Reykjavik summit between President Reagan and Mr Mikhail Gorbachev – could damage the very security interests which arms control was intended to advance, he said.

Sir Geoffrey, who was addressing the International Institute for Strategic Studies in London on "The Foundations and Future of British Security," said that, while long-term visions were important, the immediate challenge was to bridge the much smaller gaps between the two sides.

The US had spoken of a world in which all ballistic missiles were to be eliminated, while the Soviet Union had called for the abolition of all strategic offensive weapons. However, neither side was really convinced of the feasibility or even the wisdom of its own proposals, and the British Government certainly had doubts about them.

Nor had all the questions about the strategic desirability of President Reagan's project for a space-based defensive system (SDI), which he had posed in a major speech two years ago, yet been answered, Sir Geoffrey said.

"It remains crucial to seek the answers to those questions before reaching conclusions on what may be technically possible. We have to accept that not everything technically possible may be affordable or prudent."

The Foreign Secretary indicated that there was room for compromise between the US and the Soviet Union on the controversial question of SDI, the main stumbling block to agreement at the Reykjavik summit.

While Sir Geoffrey considered that there was little disagreement between the US and the Soviet Union over the application of the 1972 Anti-Ballistic Missile Treaty (ABM) to research and deployment of space weapons there were differences over the development and testing of such weapons.

The solution of the problem could well lie in discussions between the two sides on a definition of the limits of permissible research. "With that in hand, work on research programmes can continue while radical cuts in nuclear weapons are being implemented."

The Foreign Secretary also suggested that an extension of the ABM Treaty non-withdrawal period to 10 years after an accord has been reached on wide-ranging cuts in nuclear weapons, as was provisionally agreed in Reykjavik, would also be helpful. Nor need it be so closely linked as was indicated at the time to further cuts in offensive arms beyond the 50 per cent already agreed in principle by Washington and *Moscow.*

Although looking for a relationship with the Eastern bloc which was "free from threats" and describing negotiated arms control as "the most responsible approach" to achieve this objective, Sir Geoffrey said good diplomacy relied on a strong bargaining position. "In tough East-West negotiations this means strong defence."

Faced by the Soviet Union's vast nuclear arsenal, the West must have a nuclear capability of its own, he said in a detailed critique of the *opposition Labour Party's non-nuclear* defence policy. But nuclear weapons also had another function: that of impressing on the Soviet Union that an unprovoked attack would be answered not only with conventional forces but with nuclear weapons.

"It is a compelling reminder that, in today's world, Western security cannot be both non-nuclear and effective."

Sir Geoffrey also stressed that going ahead with the Trident submarine-launched nuclear missile was the right decision for Britain because "obsolete systems undermine deterrence."

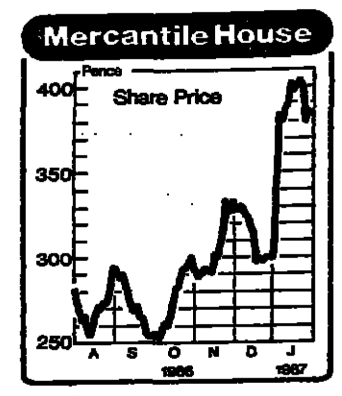
The Government had always insisted that the British national deterrent should be the minimum necessary for the job. "We do not seek more. But we will not – and should not – accept less."

It would be irresponsible to base British security policy on the dubious assumption that, for the foreseeable future, Western governments could sustain the accelerated rate of spending on conventional defence which they managed in the late 1970s and early 1980s. The Soviet Union was not constrained by public opposition to ever-increasing defence spending. So the conventional imbalance would remain.

THE LEX COLUMN

Cracked plaster at Mercantile

Mercantile House yesterday joined the list of companies whose share prices rise on poor trading figures. At first the market was inclined to mark the shares down after half-time profits were reported at £27.1m against £32.7m, with the damage much worse at the earnings level. But later on the shares gained a net 5p to 385p.



Clearly this price cannot be justified on fundamentals. The forecast of second half profits even lower than the first, and of a tax charge, including some ACT, likely to stay at the interim level of 57.6 per cent for the year, suggests a prospective multiple of at least 15.4. Replacing the profits from the parts of Oppenheimer sold last March was never going to be easy in the short term. Much of that capital has been repatriated, suffering a withholding tax on its way into the balance sheet of Alexanders Laing & Cruickshank, where it now earns a negative return.

Once the Big Bang business settles down, Mercantile will be better able to assess whether that capital is well invested. Meanwhile, profits from the wholesale broking side are inevitably suffering from commission-sharing with the customers at Fundamental Brokers, the US Government bond broker, although market share appears to have risen.

On top of these trading difficulties, Mercantile has the misfortune to be involved, however peripherally, in two share-dealing investigations at once. The Australian one may prove the more damaging, as AL&C has been deemed the owner of a parcel of shares currently showing a loss of around £7¾m.

So, the mercantile share price is looking to a bid, encouraged by Crown's recently acquired 14.9 per cent stake. However, a hostile purchaser, knowing that change of control would free many of Mercantile's people from their chains, would have to consider whether this price might not already be too high. An agreed bid, rather than a diluting injection of capital, is a lot for speculators to pin their hopes on.

Airlines

Frightening the market with macho talk of putting British Airways out on a 130p price tag seems to have worked a treat. Underwriters who demurred at taking all that they were offered have seen 125p and are reported to be queueing up for more. If the London equity market holds its present course, next week may bring some complaints from Whitehall that the issue was not priced, after all, to bring in the full £1bn; but that is the trouble with fixed-price issues.

Since BA will certainly prove a minority taste with the individual shareholders, some generosity of pricing was inevitable. But the gulf between a flotation price and the premium obtainable for a strategic stake is illustrated by yesterday's deal between Swire and the Chinese Government: the £172m that was paid for 12.5 per cent of Cathay Pacific capitalises that smaller airline at the best part of £1.4bn.

Racal

It may be seen as a sign of the reduced expectations for Rocal that a mere £2m increase to £25m in interim pre-tax profits should cause the share price to rise, by almost 10 per cent to 218p. On the other hand, the market's forecast for Racal of about $110m for the year – up from £90m – puts those shares on a multiple of 18. So for all the recent disappointments; Racal is still on a premium multiple in what has become a discount sector.

That is largely based on the hoped-for impact on profits as Vodaphone swings round from cash drain to cash generator. The turning point should be next year, and yesterday the company gave some luscious projections of cellular radio profits into 1989. Racal's straight-line forecasting has not been a conspicuously successful analytical tool of late, but it is difficult to find more tangible reasons to doubt the Vodaphone story.

While Data Communications has responded more quickly than some expected to a cost cutting blitz, the scale of the downturn at Radio Communications is a less pleasant surprise. When, last July, Sir Ernest Harrison forecast "a substantial improvement" in Racal's profits, he did not appear to be reckoning on the effect of the oil price collapse on the sale of tactical radios to the oil producing countries. This was a bit forgetful, since four years ago a smaller fall in oil prices had similar consequences for the same *division.*

Racal's claim that it is beginning "another period of sustained growth" may irk those who recall that earnings per share have gone nowhere since 1981. They may reflect on how splendid it is for Racal to own the venerable Chubb company, a source of steady profits in a sea of unpredictability. But the point about investing in Ernie is that you always hope your number will come up.

Nixdorf

Life with a constantly rising currency is posing some problems for Nixdorf, but they are difficulties that most companies would be willing enough to shoulder. However fast the non-D-Mark subsidiaries run ahead in local currency, it is currently rather hard for them to make much impact on the parent company result; last year's 30 per cent growth in sterling sales was chopped down to a mere 6 per cent on translation. The overall effect is that the proportion of group sales going into the German market has risen by a few points since 1985, to stand at just over half the total.

All the same, revenues rose by 15 per cent, and net income by considerably more than that (though by how much will not be revealed until the Hanover fair). Though gearing has decreased, debt still stands at something like two-third of shareholders' funds. If Nixdorf is to make good its ambition of doubling in size again over the next for to five years, it will again be calling on the equity markets before long.

JOBS

Clue to telling high-fliers from dodos

BY MICHAEL DIXON

YOU READERS never cease to surprise me.

When discussing three weeks ago how organisations that are fit for an increasingly competitive future can be distinguished from those which are not, I suggested that a possible way of telling the difference might lie in how they require their employees to work. And to test that possibility, I asked you to make your choice between three different kinds of job.

Of those three kinds, only one was balanced and rational. I therefore expected that the great majority of you would choose it. But what, in your wisdom, did you do?

Before I tell you, however, we must remember that it is unlikely that everyone reading today was present when I first set out the exercise on January 7. So I had better explain the background, starting with the basic terms in which the choice was described.

For the particular purposes of this exercise, the term "tasks" means the things you in fact do in your job. There is no possibility of your neglecting them. Tasks are simply the things which you actually do, whether or not your employing organisation specifies that you should do them.

By contrast, "duties" means the things which your employer does specify you should do. That is not to say you necessarily do them. But if you *don't*, you are thereby falling short of your ordained responsibilities and are liable to feel worried about it even if you are not risking punishment.

In some jobs the tasks and duties are very much in line, as I will try to illustrate by conjuring up Julius Caesar.

He said he actually did three things, listing them as: "I came. I saw. I conquered." If it was also the case that his employers had spelt out that coming and seeing and conquering were precisely what was expected of him, his duties and tasks would have been in balance. That is the sort of job which today I am calling type "A" (although I gave it a different designation three weeks ago).

Alternatively, numerous people have jobs in which they actually do more things than the employing organisation specifies that they should do. Let's suppose that, although Ceasar was still doing those same three things, his employers had issued only one broad specification—such as "Expand the empire!" His tasks would then have outnumbered his duties. Jobs of that kind constitute type "B."

In yet other jobs, the reverse applies. Let's now say that Caesar's employers had spelt out that he should come and see and conquer, but he nevertheless got by without doing the seeing bit. The duties would then *have outnumbered* the tasks, and he would have been doing a "C" type job.

It was out of those three types of job that I asked readers to choose the one they would ideally like to have.

A total of 152 of you have kindly answered. The most popular preference, chosen by 42 per cent, is type B in which the tasks outnumber the duties. The least popular, picked by 21 per cent, is type C where the duties outnumber the tasks. Type A, with tasks and duties in line, came in second place with 39 per cent.

Outsmarted

So you surprised me by overturning my expectation that the A variety would prove by far the most popular. That rather hoist me with my own petard because I was *hoping* to surprise the great majority of *you. It seemed to* me very likely that, as type A is alone in *being balanced and rational*, those of you who plumped for it would believe that the organisation providing the job must certainly be fit for the challenges of the future.

But according to the research study on which I based the question, the sort of organisation where employees' duties and tasks are largely in balance is the only sort that can be relied on not to survive against fierce competition.

The study, originally published in the United States, was the work of the sociologist Andrew Frank. Although it dates from 1963, its findings are highly relevant at a time when many companies have decided that they cannot continue to thrive unless they become more innovative and enterprising.

Whether or not the 56 readers who went for the A option care to know it, Frank says jobs organised in that balanced way tend to "prohibit individual initiative and make ritual role performance easy if not mandatory." At the same time, they severely reduce the ability both of the organisation as a whole and of any one person working in it to respond successfully to changes in external conditions.

For the 64 and the 32 people who respectively chose options B and C, the future prospects would seem better even though still not certain. In either case, Frank's judgment is that there is a fair chance that the organisation concerned will be adequately inventive and responsive. Unfortunately there is an equal chance that it will not. The outcome evidently depends on the leadership and perceptiveness of its bosses.

Take for instance the B organisation in which people's tasks largely outnumber their duties. If its boss is inspiring and *demanding*, it will tend to be very creative and productive. *Otherwise* it is likely to go to the opposite extreme and be totally indolent. Examples of either mode are provided by the contrasting behaviour of different departments in universities where academics' jobs, at least, are almost always of type B.

But indolence is unlikely ever to be found in outfits where jobs are of the C pattern. All organisations whose employees' duties generally outnumber their tasks are usually energetic and quick to adapt. Moreover when the top management is perceptive and decisive, the organisation will also tend to be highly successful in serving its customers.

Trouble

The only trouble is that, if the chiefs are hesitant and insensitive to what is going on around them, the bulk of the *workforce's energy* and flexibility will probably be used up in internal politicking.

There is another of Frank's judgments, too, which seems relevant to companies needing to become more innovative and enterprising. He says that C organisations where duties outnumber tasks can readily change into the A kind where both aspects of the jobs are in balance, and vice versa.

Also, the B organisation with tasks outnumbering duties can change into either of the others. But once it has done so it cannot revert to type B. If its chiefs need to get back the former incomparable potential for creativeness and productivity, their only hope is to wind up the old company and start a new one.

While all of those observations strike me as persuasive, I am keen to test them against readers' experience. That means another request to the 152 of you I have heard from already, although anyone else is more than welcome to join in.

Besides asking three weeks ago which type of job people would ideally like, I also asked which type they are in at present. It turned out that a massive 71 per cent have more tasks than duties, 18 per cent have duties outnumbering their tasks, and only 11 per cent—perhaps fortunately—are in balanced activities.

What I hope readers in each of the job types will be kind enough to do now is to compare what goes on in their own workplace with Frank's descriptions, and let me know whether what he said rings true.

If so, all of us could be on the way to finding how to tell organisations with a future from those that are obsolescent.

TREASURY OFFICER

Up to £23,000+car

The Woolwich has taken a leading role in establishing the presence of building societies in the sterling markets. With the increasing importance of wholesale funding in foreign currencies and the further opportunities arising from the 1986 Building Societies Act, we intend to develop the range and scale of our operations even further.

These plans will require the full participation of a Treasury Officer who can help develop our Treasury function. Ideally, candidates should be educated to degree standard, but formal qualifications may be less important than experience and potential.

The successful applicant will take responsibility for one or more areas of our Treasury function which maintains an active investment presence in the London money markets and the gilt market. Wholesale funding is obtained through short term instruments, including certificates of deposit and time deposits, while medium term maturities utilise the banking and international bond markets. Funding opportunities will make increasing use of interest rate and currency swaps, while use of futures and options will be incorporated into the management of interest rate risk.

We can offer a salary of up to £23,000 plus Society car, together with the other usual benefits including preferential mortgage, which you would expect from a leading financial institution.

If you feel you have the qualities we are looking for, please contact our Treasurer, David Glozier on 01-854 2400 extension 5460 for an informal discussion or send your CV to Simon Morgan, Senior Personnel Officer (Head Office), Woolwich Equitable Building Society, 30 Erith Road, Bexleyheath, Kent DA7 6BP.

We are an equal opportunities employer

WOOLWICH
EQUITABLE BUILDING SOCIETY

MBA's

Implementing strategic growth

c£25-£40K PLUS BONUS

After a period of market rationalisation and consolidation, this UK based international group is poised for substantial growth.

The bringing of new technology to commercial reality and the identification of new business opportunities through acquisition and joint ventures will be crucial to its plans.

Our client is seeking MBA's in the 25-35 age bracket to undertake influential project and planning work. Reporting to the Chief Executive or another Board member, they will be primarily responsible for strategic business analysis, the formulation, development and implementation of plans as well as specific project development.

Candidates must have an MBA from a recognised American or European Business School, preferably supported by a first degree in science or technology. The job history should demonstrate an excellent knowledge of finance in industry and commerce together with the potential to succeed to a line management position in twelve months.

Salary will be negotiable but will not in any case be a barrier. Additionally, up to 50% of salary can be earned in performance bonuses. Car, petrol, pension and private medical insurance are also provided.

The job will be based at the London headquarters or other UK locations. Relocation costs will be met.

Applications from both men and women, including details of current remuneration should be sent quoting ref: 6427 to T. G. West, Managing Director, Associates in Advertising, Columbia House, 69 Aldwych, London WC2B 4DX.

associates IN ADVERTISING

Corporate Finance

Royal Trust Bank, London is part of the international operations of the Royal Trust Group, which is based in Canada.

As part of the continuing development of the Bank, we are seeking a corporate finance executive with experience of mergers, acquisitions, capital reorganisations, management buy-outs and other related work in the UK market.

The successful candidate will be a graduate aged 28-35 with at least 2 years relevant experience and preferably a legal or accounting qualification. Good communication skills are essential.

Salary and benefits will be negotiable, but will include the usual range of bank benefits.

Please write in confidence to:

**John Newman, Senior Associate Director,
Royal Trust Bank, Royal Trust House,
48-50 Cannon Street, London EC4N 6LD**

ROYAL TRUST

INSURANCE EXECUTIVE

Life Assurance Company seeks insurance executive or trainee for its marketing offices in London and Geneva dealing with Swiss/German/French clients. Excellent remuneration package

APPLY LONDON 01-235 0674

UNIT TRUST EXECUTIVES

If you match our needs – we'll match yours

We are a rapidly expanding subsidiary of one of Britain's major insurance companies. Our unit trusts are consistent high-performers and we have just been voted 'Small Unit Trust Management Group of the Year' by Money Management.

Our plans for expansion mean we need experienced people to actively promote our range of unit trusts to professional intermediaries in a number of regions throughout the UK.

Essential qualities are a first class appreciation of the investment scene, an outgoing personality, a commitment to a high level of professionalism and strong personal motivation.

The remuneration package is very competitive and includes an attractive salary, bonus scheme, company car, subsidised mortgage and a non-contributory pension.

If you feel you match our needs, please write in confidence with details of salary and experience, to Roger Harwood, Director, The Royal London Unit Trust Managers Limited,

THE ROYAL LONDON
UNIT TRUST MANAGERS LIMITED

Royal London House, Middleborough, Colchester, Essex CO1 1RA.
Tel: (0206) 44155.

A name you'll be hearing a lot more often

CJA

RECRUITMENT CONSULTANTS
35 New Broad Street, London EC2M 1NH
Tel: 01-588 3588 or 01-588 3576
Telex No. 887374 Fax No. 01-256 8501

Cornerstone appointment in bank's strategy for securities development. Outstanding opportunity for individual with the vision to drive this activity forward and to build a strong equity sales team

CJRA

UK EQUITY SALES MANAGER

CITY **£100,000 PLUS PACKAGE**

MAJOR EUROPEAN BANK

We invite applications from UK Equity Sales Specialists of exceptional ability, probably aged under 40, who must have had substantial exposure to business development with major international institutional clients. The selected candidate will be a key member of a highly focused team, will work closely with, yet independently of, the Head of Equities and will be responsible for successfully establishing and developing an agency business with research-orientated products, concentrating primarily on non alpha stocks. Essential qualities are the ability to 'take the ball and run', build and motivate a team of like-minded individuals and have the energy and drive to carve out a significant share of specific niche sectors. The initial package of £100,000 plus includes a high base salary and a profit-related bonus (guaranteed for the first year) and will be designed to attract the best UK Equity Sales talent. In addition there are excellent banking benefits provided including car and mortgage subsidy.

For this assignment we are particularly keen to hear from candidates in strict confidence by telephone on 01-638 0532 or alternatively written applications quoting reference UKE 18695/FT will be forwarded unopened to our client unless you list companies to which they should not be sent in a covering letter marked for the attention of the Security Manager: C.J.R.A.

A challenging and varied appointment with prospects of becoming a Director in 1–2 years

CJA

GROUP COMPANY SECRETARY AND ADMINISTRATOR

LONDON **£25,000–£35,000 + CAR**

SUBSTANTIAL SPECIALIST BRITISH MANUFACTURING GROUP – PROMINENT IN INTERNATIONAL MARKETS – SUBSIDIARY OF MAJOR WORLD-WIDE ORGANISATION

For this appointment, we seek candidates, aged 30–40, qualified A.C.I.S., with a broad background covering company secretarial, general administration, corporate relations and the personnel function. We require evidence of achievement in these fields in substantial and successful, fast-moving commercial or industrial organisations noted for their methods of performance. Reporting to the Executive Chairman, the successful candidate will be responsible for the provision of a comprehensive Group Secretarial service, including legal advice, a high level of administrative support, corporate P.R. and close liaison on the Human Resources front. Key to the success of this appointment and future prospects are business judgement, commercial acumen and the ability to contribute to overall strategy as a full member of a small senior management group working to tight deadlines in a demanding environment. Initial salary negotiable £25,000 – £35,000, car, non-contributory pension, life assurance, free BUPA and assistance with relocation expenses, if necessary. Applications in strict confidence under reference GCSA 4462/FT, to the Managing Director: C.J.A.

35 NEW BROAD STREET, LONDON EC2M 1NH. TELEPHONE: 01-588 3588 OR 01-588 3576. TELEX: 887374. FAX: 01-256 8501.

ORGANISATIONS REQUIRING ASSISTANCE ON RECRUITMENT – PLEASE TELEPHONE 01-628 7539

ENERGY/FINANCIAL RATES REPORTERS

Salary: c. £9.5K

Our client is recognised as an international leader in the provision of on-line energy/financial information for major clients in the *City of London*. Their commitment to providing their customers with accurate and timely information, together with outstanding service, prompts their requirement to appoint additional energy and financial rates reporters. The role will be to gather trading information from the markets, assess that information and then to input *that validated information into the system. Considerable customer contact both by telephone and in person* is required.

The successful candidates are likely to be aged in their early 20's, will be intelligent, well-presented, articulate individuals who after a period of in-house training will be competent and confident in dealing with executives within the challenging City environment.

The salary package includes a regular review procedure together with major company benefits. There are also excellent opportunities for career development within this successful organisation.

For further information would you please contact Nicola Ogilvie or Sue Consiglio on 01 222 7766 or alternatively write to them at the address given below quoting Reference Number NM0855.

OGILVIE EXECUTIVE
PERSONNEL AND MANAGEMENT CONSULTANTS

Buckingham Court, 78 Buckingham Gate, London SW1E 6PE. Telephone: 01-222 7766.

FRAMLINGTON

Discretionary Fund Manager

The increase in funds under management at Framlington has created an opportunity for an experienced discretionary fund manager to work in a small team handling private clients and small pension fund portfolios.

Ideally the candidate should have a good degree and at least five years experience of discretionary management with a stockbroker or fund management company and a complete understanding of office administration systems.

Framlington believes in the autonomy of the individual fund manager. Initiative and competence will be rewarded with early responsibility.

The remuneration package will reflect the experience and quality of the successful applicant.

Please apply in writing to:

D. R. CLARKE
FRAMLINGTON INVESTMENT MANAGEMENT LIMITED
BASILDON HOUSE
7/11 MOORGATE
LONDON EC2R 6AH

Chancery Securities PLC is a rapidly expanding financial and banking services group and is quoted on the U.S.M. It presently has 60 staff and is soon moving to the West End where it will have the following vacancies.

ADVANCES EXECUTIVE

The successful applicant (male or female) will be responsible to the Advances Director and will be expected to work with minimal supervision. The duties involve all aspects of loan analysis and administration which will include both meetings with customers and monitoring of their accounts. Salary at least £16,000 per annum plus benefits.

LEGAL EXECUTIVE/SOLICITOR

The successful applicant (male or female) will assist the Advances Director and deal with all aspects of conveyancing, including mortgage work. The person must be flexible enough to work with standard banking systems and have initiative. Salary at least £15,000 per annum plus benefits.

TREASURER

The successful applicant (male or female) will be responsible to the Deputy Chief Executive and will be expected to work with minimal supervision. City experience is essential. The duties will involve the management of an active money book, with committed banking lines as well as deposits from the public and with the deployment in the money market of day-to-day surpluses. Salary at least £19,000 per annum plus benefits.

**Please apply in confidence (no agencies) enclosing full CV and details of current salary package, specifying which position you are interested in to:
The Personnel Director.**

CHANCERY SECURITIES PLC
20 John Street London WC1N 2DL

Jonathan Wren

FINANCIAL SOFTWARE IMPLEMENTATION

Options and Futures Systems

We have been retained by Devon Systems Ltd., an acknowledged leader in off-balance sheet instruments software, to identify candidates for its London support office.

The position involves pre-installation consultation, training, and post-training support of the Company's application software packages. Responsibilities include liaising with the Software Development staff to specify enhancements requested by clients.

The ideal candidate will have a detailed understanding of off-balance sheet instruments, have experience at a City financial institution or trading firm, demonstrate effective communication skills, and be self-directed.

This position is well suited for an individual who wishes to further a career in the financial markets in an entrepreneurial environment.

Compensation package commensurate with ability.

Applicants with appropriate backgrounds are invited to forward a detailed career summary or to contact Michael Hutchings

LONDON BRUSSELS HONG KONG SYDNEY

Jonathan Wren
Recruitment Consultants
No.1 New Street, (off Bishopsgate), London EC2M 4TP.
Telephone: 01-623 1266

Australian Securities

Sales Executives

We require Sales Executives to join our existing team in Australian securities. Applicants should have a minimum of one year's experience in this field. They will be based in London although it will be necessary to visit or stay in Australia as required.

Salary is negotiable, plus benefits and prospects are excellent.

Please write with detailed CV to:
David Clark, Assistant Director–Personnel,
Kleinwort Benson Group, 10 Fenchurch Street, London EC3M 3LB.

Kleinwort Grieveson Securities

FOREIGN EXCHANGE DEALER

Experienced Spot Dealer required in all major currencies for private individual

Minimum 5 years' active trading experience essential

Must be able to work shifts

West End based

Salary negotiable

Write with CV to:
Box A0392, Financial Times
10 Cannon St, London EC4P 4BY

Appointments Wanted

TOP LEVEL TROUBLE SHOOTER

Oxford educated, marketing orientated executive with extensive experience of setting up and sorting out businesses in international markets and with strong analytical, organisational and follow-through skills, requires challenging job preferably UK based. Ideally qualified as Personal Assistant to Chief Executive Officer or Chairman.

Please write to the Advertiser
Box A0375, Financial Times
10 Cannon Street
London EC4P 4BY

Ætna

The UK arm of the largest publicly quoted insurance group in the world has a career opportunity for a

UNIT TRUST EXECUTIVE

Launched in the UK less than two years ago, Ætna has established a reputation for innovative products and effective marketing.

As evidence of our commitment to become a major force in the financial services industry, we recently took over the Tyndall Group of Companies. Following this acquisition, we now manage a comprehensive range of unit trusts and seek a Unit Trust Executive to join our Head Office team in London.

The Executive will work closely with the Marketing Department, solicitors, trustees and the DTI in the development of new unit trust products. In addition, the person appointed will provide a technical service to colleagues, intermediaries and investors, research industry practice, make presentations and provide training.

The benefits include a non-contributory pension scheme, PHI, luncheon vouchers, free BUPA, relocation package where appropriate, and a choice of mortgage subsidy or car. The salary will be in the range of £13,500 to £17,500.

If you have at least three years' experience in the unit trust industry, communicate well and want to find out more about this challenging opportunity, telephone Veronica France on 01-833 1256, extension 446, or write to her at; Ætna Life Insurance Company Limited, 401 St John Street, London EC1V 4QE

Treasury Executive

Central London — **c£25,000 package**

Our client is one of the world's leading FMCG companies. Based in the UK and with a turnover approaching £2bn, it has recently embarked on a major development programme. Strategic acquisitions and alliances are being made to consolidate the group's global position.

A key factor in the continuing success of the group is the role played by the Treasury Division. Within the Division the Operations Group not only undertakes large scale cash management and profit-critical fx activities but also the utilisation of progressive banking products which contribute to the successful development of the group.

As Treasury Executive your prime responsibilities will be in the areas of commercial paper programmes, funding and investment programmes, dealing, overseas treasury liaison and cash management. A high degree of evaluation, analysis, recommendation and decision-making will also be a daily part of the role.

You should be aged 25-32 and seeking to move to an executive treasury position from a related commercial or banking background. This is a unique opportunity for a high achiever seeking to make a career move into Corporate Treasury and wishing to develop rapidly.

If you believe you have the qualities we are seeking and are excited by the challenge offered you should write to Geoffrey Rutland ACA ATII, Executive Division, enclosing a comprehensive c.v. and daytime telephone number, quoting ref: 381 at 39-41 Parker Street, London WC2B 5LH.

Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

CONTROLLER UNIT TRUST ADMINISTRATION

Help us expand – even faster

The rapid growth of our unit trust funds under management has now reached the point where we require a *thoroughly experienced Controller to* expand and to manage our administration facilities in Colchester.

Just voted 'Small Unit Trust Management Group of the Year' by Money Management, we are determined to maintain and advance the high standard of our service to advisers and investors. To this end, we are making a major investment in the latest computer technology.

The successful candidate must have wide experience in both unit trust administration and investment accounting. Ideally, he or she will be in *the age range 28-40.* The salary for this important position will be c. £20,000. The benefits will include a company car, non-contributory pension, subsidised mortgage and relocation assistance where appropriate.

If you feel you can help us expand even faster, please write in confidence, with details of salary and experience, to Roger Harwood, Director, The Royal London Unit Trust Managers Limited.

THE ROYAL LONDON
UNIT TRUST MANAGERS LIMITED

Royal London House, Middleborough,
Colchester, Essex CO1 1RA.
Tel: (0206) 44155.

A name you'll be hearing a lot more often

International Bond Fund Manager

London — **£40,000 +**

The Client: Leading UK independent fund management organisation with a reputation for performance and professionalism.

The Position: To manage and develop the international bond funds within an established fixed income department.

The Candidate: Several years' experience of international bonds/multi currency markets and the ability to communicate with people at all levels. Age 28-40.

The Rewards: Excellent promotion and other prospects for the right candidate. This is an extremely challenging position within a highly progressive company.

Contact Nick Root or Timothy R. Wilkes on 01-404 5751 or write to Michael Page City, 39-41 Parker Street, London WC2B 5LH. Confidentiality assured.

Michael Page City
International Recruitment Consultants–London Brussels New York Paris Sydney
A member of Addison Consultancy Group PLC

Jonathan Wren

COMPUTER SPECIALISTS

A number of our clients are updating/expanding/remodelling their computer operations and we are therefore actively seeking specialists for the following positions:-

COMPUTER MANAGER — **£18,000 to £20,000 plus banking benefits**

Applicants should have computer experience combined with accounting knowledge, preferably within a banking or financial environment. The successful candidate will be required to organise the installation (IBM), systems and subsequently manage the operation.

SYSTEMS DEVELOPMENT — **£16,000 to £20,000 plus banking benefits**

This position carries assistant manager status and requires a systems specialist with previous experience of a bank computerised operation. A background in any of the following is required: Novell Network, Lotus 1,2,3, Framework, Open Access. Exposure to computer communications is desirable.

ANALYST/PROGRAMMER — **£15,000 to £20,000 plus banking benefits**

Previous experience of IBM 34/36, who has the ability not only to operate the system, but who can overcome operating problems, design programmes and educate management in the benefits of the system.

Other opportunities within the computer operations area are also available and should you wish to discuss any of the above specifically, or would like a general discussion contact David Williams.

LONDON BRUSSELS HONG KONG SYDNEY

Jonathan Wren
Recruitment Consultants
No.1 New Street, (off Bishopsgate), London EC2M 4TP.
Telephone: 01-623 1266

BUTLER SECURITIES

Member of The Stock Exchange

Due to rapid and continuing expansion we are looking for key personnel in the following areas:

INSTITUTIONAL GILT SALES
Applicants should have several years' experience as a broker/principal in UK gilt and fixed interest markets.

GILT DEALERS
Applicants should have several years' experience dealing in shorts/longs or fixed interest markets.

MONEYBROKER (Building Societies)
The successful applicant will have had several years' experience broking/dealing in both cash and negotiable instruments.

BUTLER SECURITIES offers an excellent career and a competitive salary.

Please write enclosing CV to
Pat Turnbull, Butler Securities Limited,
8th Floor, Adelaide House,
London Bridge,
London EC4R 9HN

Investment Analysts

Ark Securities, the fast-expanding international securities house, is now looking for people to join the European equity team. Knowledge of one or more European languages and some relevant experience would be particularly useful, though not essential. Applications with CV to:

Head of Research, Ark Securities, PO Box 554, King William Street, London, EC4N 7EX

ARK *securities*

TULLETT & TOKYO (GILTS) LTD.

require

EXPERIENCED GILT PERSONNEL

for our IDB operation

Applicants should have experience as Salesmen or Traders with preferably Stock Exchange Floor experience.

The salary package will be negotiable and reflect the applicant's ability.

All applicants should supply full details and curriculum vitae to:

Mr. Peter R. Doney
Joint Managing Director
TULLETT & TOKYO FOREX INTERNATIONAL
Ormond House, 63 Queen Victoria Street
London EC4N 4ST
Telephone: 01-236 5761

TROUBLE SHOOTER LIVEWIRE REQUIRED

Our chairman needs a second-in-command to assist in the running of our fast-expanding group of companies.

The Group's activities are many and varied so we require a person whose versatility and ability at Board level is exceeded only by their determination to succeed. As would be expected, an excellent salary and executive company car awaits the successful applicant.

ONLY POSITIVE THINKERS NEED APPLY!

Write Box A0389, Financial Times
10 Cannon Street, London EC4P 4BY

Dealing Opportunities

AAA Rated Bank

The London Branch of one of the most prestigious and respected international banking institutions, renowned for offering a broad range of commercial services to its extensive client base worldwide, has embarked on the planned and aggressive expansion of its dealing activities in the United Kingdom.
Currently employing 100 people, the London operation has a new and highly sophisticated dealing room and is seeking to recruit key individuals who have the experience and ambition to contribute significantly to the further development of the branch.

Customer Dealer

Develop Your Marketing Skills

Covering Eurodeposits and foreign exchange instruments, you will provide overall guidance and take particular responsibility for both establishing and enhancing dealing relationships. Reporting to the head of the dealing room, you will frequently represent the bank abroad and play a leading role in the expansion of the department.
Aged 24-30 and ideally a graduate, you have a minimum of two years' experience as a customer dealer with an international bank. You possess excellent communication skills and have the ability both to service client needs and to participate energetically as a team member.

Forward Dealer

Deutschmarks and Yen

As an important member of this small team trading Deutschmarks and Yen, you will use your sound experience and dealing abilities to increase the bank's existing high performance. Reporting to a senior manager, you will enjoy the opportunity of influencing the direction of this international organisation.
Aged 24-30 and preferably a graduate, you have at least 3 years' experience as a forward dealer, trading Yen and Deutschmarks. You are positive by nature and will thrive in a relaxed but competitive environment where there will be prospects for advancement.

Dealer

Euronotes

Joining a small and successful group, you will concentrate on trading Euronotes in a relaxed environment, which nonetheless relies heavily on high professional standards and solid teamwork to produce first class results.
Reporting to the head of the dealing room, you will have every opportunity to progress your dealing career. Aged 24-30 and probably a graduate, you have a minimum of 2 years' in this market and possess a confident and outgoing nature.

Swaps Dealer

Join an Expanding Team

Specialising in trading interest rate and currency Swaps, you will assist the bank to develop its expertise in the Swaps market. Combining your own knowledge and abilities with the bank's determination to increase its presence in this area, you have a prime opportunity to direct market strategy and play a key role in an expanding team.
Aged 24-30 and ideally a graduate, you have at least two years' experience in a bank actively involved in trading Swaps. You are a team player; capable, energetic and motivated by corporate as well as personal success.

Spot Dealer – ECU's

Set Up a Team

With at least two years' experience actively trading ECU's, you possess the necessary flair, ambition and temperament to play a vital part in setting up this new area. Capable of establishing initial dealing relationships, you will report to the head of the dealing room and take responsibility for day to day ECU dealing. With considerable input into settlement procedures, the development of the whole operation will be limited only by your own abilities.
Aged 24-30 and probably a graduate, you are self-confident, articulate and enjoy working under considerable pressure. Possessing a strong, but flexible personality, you are adept at developing ideas in business through a network of internal and external contacts.

Short-Term Paper Dealer

Gain Prospects in a Major House

With a minimum of 18 months' experience in trading short-term notes, you are ready for the challenge of setting up the bank's operation in this growth market. Reporting to a senior manager, you will agree and implement dealing strategy and policy.
Aged 24-30 and preferably a graduate, you have commercial acumen, excellent communication skills, dedication and a desire to be part of a winning team.

All positions offer excellent career prospects together with competitive salaries and banking benefits. To apply, please telephone or write, in complete confidence, to Wendy Ward or Matthew Wright of Cripps, Sears & Associates Limited, Personnel Management Consultants, International Buildings, 71 Kingsway, London WC2B 6ST. (Telephone: 01-404 5701).

Cripps, Sears

£400 Million Growth In 12 Months. Fact Or Fairytale?

Our success story is based firmly on hard economic facts. We've grown to be the country's 12th largest unit trust company in just seven years.

The UK Unit Trust market is one of the most competitive in the world, and we have been one of the most competitive companies. For the past two quarters we have achieved the third highest sales of all 134 groups competing in the UK market-place. And it's this level of performance which will make us one of the top 5 companies within the next few years.

MARKETING EXECUTIVES.

Exceptional Opportunities for Growth.

We now require 5 Marketing Executives to work in our Retail Marketing Division. This is an excellent career opportunity for highly motivated people as you will have the potential of becoming a manager after two years.

A graduate or graduate calibre, you should be aged between mid and late twenties with 2 to 3 years experience in marketing – especially in the areas of planning, writing and the production of promotional literature, direct mail, video and other below-the-line material. Although not essential, a knowledge of the financial industry would be an advantage.

As you will be reporting to senior members of the Retail Marketing team, you will probably be based in the City, but you could work from our administrative H.Q. in Tonbridge and liaise closely with our London Office.

A Competitive Package.

We are offering a generous salary negotiable in line with experience, together with a performance related bonus, non-contributory pension, private health scheme and free life assurance.

If you would like the opportunity of growing with a highly successful organisation, please write to: **Alan Ainsworth, Executive Director – Retail Marketing, Fidelity Investment Services Limited, 25 Lovat Lane, London EC3R 8LL.**

BERMUDA–BOSTON–HONG KONG–JERSEY–LONDON–NEW YORK–SAN FRANCISCO–SYDNEY–TAIPEI–TOKYO

Fidelity INVESTMENT SERVICES

ROYAL LONDON INSURANCE

FUND MANAGEMENT OPPORTUNITY

The Royal London Mutual is a major UK insurance group with total assets exceeding £2bn and eight unit trusts under management. The investment team's position as a most successful emerging unit trust group was recognised by *Money Management* after our performance in 1986. As a result of the continuing expansion of funds under management, a new position is being created within the team.

Applicants should be in their early to mid 20s and have at least an upper 2nd class honours degree in economics or mathematics. A keen interest in international affairs and good interpersonal skills are essential.

From the outset the successful applicant will be involved in research, stock selection and dealing, and will be expected to be able to fill a position of responsibility at an early stage, with potential for involvement in overseas markets. The remuneration package will be competitive including a performance-related bonus, and prospects for rapid career advancement are excellent.

If you are interested, please write enclosing cv to:-
M. J. Yardley, F.I.A.,
Deputy Investment Manager,
The Royal London Mutual Insurance Society Limited,
Mercury House,
Triton Court,
14 Finsbury Square,
LONDON EC2A 1DP.

MANAGER CREDIT

LOW TO MID UK CORPORATE DOMESTIC MARKET
SALARY TO £25,000 p.a. PLUS CAR

British bank with significant and growing presence in the City seeks services of Manager Credit.
With a personal discretionary lending limit, the successful candidate, who will be in his/her thirties, will provide independent objective reviews of the credit proposals put forward by the lending teams, mainly relating to the low to mid UK corporate domestic market and possibly some property lending. Thus, an advances manager's background within the clearing bank system would be ideal and a minimum of two years' experience in a senior credit role including credit analysis and possibly some marketing exposure are prerequisites.
Additionally, the Manager Credit will control the bank's busy loan administration department, monitor the loan portfolio and have a good understanding of security instruments and legal ramifications.
This position calls for strong financial and analytical skills, decision making and judgment of the highest order.

Please speak with Elizabeth Hayford
on 377 5040 or write to:

LJC BANKING APPOINTMENTS
Devonshire House, 146 Bishopsgate, EC2M 4JX.
01-377 5040

Secretary (Chief Executive)

The Post Office Staff Superannuation Scheme

London up to £28,000 + Car + Bonus

The Post Office Staff Superannuation Scheme is one of the largest UK pension funds with over 300,000 members and pensioners and total assets of £4000m. The fund is vested in nine trustees including an independent Chairman who are supported by a small secretariat.

This position which encompasses chief executive, general manger and company secretary roles will become vacant shortly when the Secretary retires. As Secretary you will have the following responsibilities.

- To manage the Scheme on behalf of the Trustees.
- To monitor the Schemes' investments made by its investment company.
- To appoint, and liaise with, professional advisers.
- To publish annual reports and accounts.
- To advise on pension legislation.
- Overall, ensure that all aspects of the Scheme are effectively co-ordinated.

The successful candidate will be professionally qualified, have sound investment knowledge and have experience of managing a pension fund of at least 50,000 members/pensioners. You should command personal and professional respect as many tasks must be accomplished by persuasion and you will have to represent the POSSS at a high level. Age range 35-50.

A competitive salary of around £28,000 which is negotiable for the right candidate, is offered. There is a valuable benefits package which includes company car, pension scheme, performance linked bonus, private medical insurance and 5 weeks holiday. Relocation assistance is available where appropriate.

Please write with full personal and career details to Martin Gibson, CPIR3.4, Room 536, Post Office Headquarters, 33 Grosvenor Place, LONDON, SW1X 1PX. Telephone 01-245 7083. The closing date for applications is 9th February 1987.

The Post Office is an equal opportunities employer.

The Post Office

Our business is your future

Treasury Consultant

First National Bank of Chicago is a major U.S. bank with a commitment to treasury management consulting and a record of accomplishment.
We are seeking to enhance our international treasury consulting practice in Europe which is charged with marketing and delivering professional and objective consulting to its clients throughout Europe and occasionally in the Far East and South America.

We are looking for a consultant with sound knowledge of cash and treasury management practices gained through at least 5 years' experience, corporate or bank. European language ability would be an advantage.

Our attractive compensation package includes preferential mortgage assistance and a company car.

Please send full details of your experience, demonstrating your suitability for the position, to:

Sidney Smith
U.K. Personnel Manager
First National Bank of Chicago
90 Long Acre
London WC2E 9RB

Institutional Sales/ Bond Traders

£50-£70,000+benefits

Several of our clients, all major US institutions are looking for experienced Institutional Sales executives (one with fluent German) and Bond Traders (Euro, Sterling and Yen).
To discuss these and other vacancies, in confidence, please contact Tom Kerrigan on 01-588 4303 or write to him at:
Tom Kerrigan Associates,
20 Wormwood Street,
London EC2M 1RQ.

Advertising Appointments

£48 per single column centimetre
Premium positions will be charged
£52 per single column centimetre

For further informaton call:

Jane Liversidge 01-248 5205
Daniel Berry 01-248 4782
Emma Cox 01-236 3769

FUND MANAGERS

IF YOU FEEL that your private clients would benefit from international single capacity rather than Chinese walls, you might be interested in vacancies we have found for Fund Managers.
We for our part, as a private client firm, would provide you with additional clients, the whole on a salaried basis.

Please reply to Box 0388, Financial Times
10 Cannon Street, London EC4P 4BY

GROUP COMPENSATION DIRECTOR

Salary £45 — 50k London

This is a key new post at a senior level with one of the world's largest and most successful leisure and service organisations. The Group Compensation Director will be at the centre of this international Group and will be expected to make a significant contribution to company policy and practice.

Reporting to a senior Director, the brief will be to develop and maintain compensation policies throughout the company that support and further its strategic business aims, without detracting from its decentralised and entrepreneurial style of management. Compensation in this context covers all forms of remuneration, pensions and other benefits in a U.K. and international — particularly U.S.A. — context.

To be considered, you will need to be someone at the top of your profession. Your experience will have been gained in high-quality, multi-national companies which are known for progressive policies and practices. You must combine this broad experience with an incisive and penetrating intelligence, first rate communications skills and acute business acumen. A degree or MBA is most desirable. It is unlikely that the successful candidate will be younger than late 30's.

The rewards for this career opportunity are commensurate with a position of such importance. They include a salary in the range of £45 — 50k, a prestige car, a bonus opportunity of 20% of basic salary, share option scheme, full relocation expenses if necessary and all the other benefits that would be expected.

If you would like to discuss this vacancy, please telephone James Crawley on 0372-379044.
To apply, please send a detailed C.V. to:
William M. Mercer Fraser, Grantham House, 11-15 North Street, Leatherhead, Surrey KT22 7AX, quoting ref. CJBLO6 (FT). All applications will be treated in the strictest confidence.

Shepherd Little & Associates Ltd

Banking Recruitment Consultants

FORWARDS DEALER

A mature Forwards Dealer in the age range 30/40 is sought by an Australian State Bank. At this stage of the bank's development the Dealer will take sole responsibility for all forwards trading including the Australian Dollar. It is expected that applicants will be currently working at a senior level in this capacity and can exhibit at least 5 years solid forwards dealing experience. The salary is negotiable and will be enhanced by a company car, mortgage facility and other banking benefits.

Please contact Paul Trumble

F.X. MANAGER c£30,000

Resulting from an internal transfer a position has arisen with a major American bank. With a staff complement of 15/16 they are seeking a good man manager with a breadth of experience to take control of this expanding area which backs-up a similar number of dealers. In addition to supporting Foreign Exchange and Money Market activities the department also handles the administration for options, futures and other trading. Applicants with the appropriate experience should be in their mid to late 30s and used to working under pressure. In addition to the salary indicated above, a company car, mortgage facility and other banking benefits apply.

Please contact Paul Trumble

SECURITIES MANAGER c£25,000

Due to their continued expansion we are seeking an additional Manager for our Client, a prime U.S. bank. This is a high profile/responsibility position demanding extensive international securities expertise with the emphasis on Global Custody. The department has around 50 staff and the Manager therefore requires first class man management skills to maintain the high standard of customer liaison enjoyed. The successful candidate is likely to be in the age range 28/35 and can anticipate good promotional opportunities.

Please contact Brenda Shepherd

ACA's RECENTLY QUALIFIED PRIME U.S. INVESTMENT BANK to £20,000

One of the leading U.S. firms in the City today is seeking a number of young recently qualified chartered accountants. Ideal candidates will be determined to leave a successful track record within one of the big accountancy firms in search of the greater rewards and responsibility offered by the expanding financial services industry.

These career openings will probably be with one of their business units handling complex accounting, and reporting or special project roles. With the anticipated rapid growth of world financial markets opportunities for early promotion should be expected.

Please contact Christine Clayton

Ridgway House 41/42 King William Street London EC4R 9EN
Telephone 01-626 1161

PROPERTY BASED FINANCING–DIRECTOR LEVEL

Probably the most exciting opportunity available

We might be accused of going overboard on this one–but for the very best of reasons.
Quite simply, this is an opportunity which rarely occurs; an opportunity to be involved, at the outset, in the development of a new LDT status financing unit for secured, property based lending. As an Executive Director you will naturally be heavily involved in decision making and the formulation of plans to match the high, but achievable, targets and standards which will be set. Within a five year span it is intended to obtain full listing status and at that time you will have the chance (if deserved!) of stepping into the Chief Executive position. Probably in your forties, with a wealth of experience in property lending, you will be looking to form part of a small close knit team dedicated to professionalism. The background, experience and respectability of the moving force behind this new venture is impeccable. The salary and benefits package has been geared to appeal to the best and will more than match the first class career fulfilment this position undoubtedly offers.
To talk about this opportunity or to arrange an exploratory meeting in our City offices, please *ring Malcolm Lawson on 01-493 5788 during the working day or 0444 73216 in the evening.*
Alternatively, send us your full career details.

LINK 13/14 Hanover Street, London W1R 9HG. Telephone 01-493 5788.
Link City Search & Selection Ltd.

METHODS MANAGER

- *INTERNATIONAL BANKING GROUP*
- *NEW CHALLENGING POSITION*
- *SALARY C.£25K-35K + BENEFITS*

Our client, one of the world's major international banking groups, now wishes to strengthen its management systems through the employment of an experienced Methods Manager based in London.

The key responsibility of this senior appointment is to review all existing methods and procedures and to recommend and help implement changes to improve the efficiency of the organisation.

The successful candidate will have at least five years' specialised experience in office systems, automation, organisation and methods. This experience will probably have been gained in a major management consultancy or banking organisation.

The ability to operate effectively in a team environment along with accomplished presentation skills is essential. You must also enjoy the challenges of creating a new position.

Interested candidates should contact Anne Gilbert on (01) 629 8070 weekdays. Alternatively send a detailed curriculum vitae, quoting Ref: L186, to her at Slade Consulting Group (UK) Ltd, Metro House, 58 St. James's street, London SW1A 1LD.

All applications will be treated in strictest confidence.

London • Melbourne • Sydney • Brisbane • Adelaide • Perth • Auckland • Christchurch

SLADE CONSULTING GROUP (UK)

Rare Opportunity

A new Finance Company is in the process of being formed and it is proposed to set up a Head Office in the Surrey area with a branch network in various South of England locations.

The new company, a subsidiary of a British Commercial Bank, will operate in the consumer market.

We require talented people who can make a positive contribution to the development of this company with expertise in the following departments:

New Business	Data Processing
Accounts	Credit
General Duties	Collections

We also require Field Sales staff at all levels.

Apply:

R. A. Hilton, P.O. Box AO 384,
Financial Times, Bracken House,
10 Cannon Street, London WC4P 4BY.

Investment Administration

A Key Supervisory Role in Settlements

c.£15,000 and excellent benefits.

Backed by a proven long-term investment record, Provident Mutual funds under management now exceed £2,700 million and we are continuing to grow rapidly. This expansion has created an exciting career opening for an experienced Settlements Supervisor.

You will head up your own section, handling all contract processing, settlements and dividend collection on overseas holdings. You will also play an influential role in the future success of the section by supervising the introduction of new advanced computerised systems.

Candidates should be able to demonstrate the expertise to assume immediate responsibility for the section, together with a good understanding of computer systems. You will also need good organisational and supervisory skills and the ability to solve problems in this high pressure environment.

The starting salary is around £15,000 (currently under review) and an attractive benefits package includes: low-cost mortgage, non contributory pension scheme, free life assurance, free lunches and season ticket loan.

Please write, with full details to: Mr D. I. Willcock, Personnel Superintendent, Provident Mutual Life Assurance Association, 25/31 Moorgate, London EC2R 6BA.

PROVIDENT MUTUAL

FUND MANAGER

CITY OF LONDON

Broaden the span of your banking or stockbroking experience; c£20,000 + major company benefits.

Eagle Star Trust Company Limited (part of the Finance and Credit Services Division of Eagle Star Group) is expanding rapidly in the management of small self administered Pension Funds and other trust funds invested in Stock Exchange Securities, Money Market and other investments.

We now require a suitably qualified experienced Fund Manager capable of handling all aspects of these investments including dealing directly with clients and intermediaries personally or by correspondence.

Ideally you will have a relevant degree and/or professional qualification and the preferred age range is mid to late 20s. If you have the necessary talent and experience we can offer excellent prospects for the future.

Salary indicator is c£20,000 and the package embraces the major company benefits.

Please write, in total confidence, with full but concise details to Mr. P. J. Andrews, Eagle Star Group, Eagle Star House, Bath Road, Cheltenham, Gloucestershire GL53 7LQ.

Eagle Star Group

THE Eastern GROUP

Eastern Capital is an international stock and commodity broker based in the United States and Europe
We are currently members of the US exchanges and licensed dealers in securities and will be applying for membership of the London Stock Exchange
We have recently expanded our retail equity sales team and now require a

RETAIL SALES DIRECTOR DESIGNATE

and

TRAINEE BROKERS

TO ASSIST IN OUR DEVELOPMENT AND MARKETING

An attractive performance-related remuneration package is offered

Interested applicants are invited to write with full curriculum vitae details to:

C. R. Relph, Managing Director
EASTERN CAPITAL GROUP
Walsingham House, 35 Seething Lane, London EC3N 4AH
Tel: 01-488 1761

Here at The Canadian Imperial Bank of Commerce - one of the largest North American banks - our continued success and expansion means a move from Bishopsgate to London Bridge City in April. The Bank wishes to fill the following vacancies to meet the first stage of its expansion program prior to the move.

Senior Dealer

Candidates should have a minimum of four years experience in an active London trading room. You will be required to promote and develop an existing forward dealing section in all major currencies and will report directly to the Chief Dealer.

Salary - Negotiable

Options Dealer (FX & Interest Rate)

Candidates should have at least two years experience with Exchange or O.T.C. Options. You will work alongside the Bank's Senior Options Trader in the ongoing development of this product.

Salary - Negotiable

Eurocurrency Deposit Dealer

Candidates should have 2/3 years experience in the Eurocurrency markets, preferably managing a Book, and be fully conversant with Interest Rate Arbitrage. Working in a team, you will report to the Senior Dealer, Money Markets.

Salary - Negotiable

C.D. Trader

Candidates should have at least 2 years experience in trading C.D.s in an active environment and have an in-depth knowledge of ECP and FRA markets. You will report to the Senior Dealer, Off Balance Sheet Products.

Salary - Negotiable.

All the above opportunities carry the usual banking benefits including Non-Contributory Pension, Bonus Scheme, Subsidised Mortgage & Loans and BUPA.

Interested applicants should write, enclosing full c.v. to:
John Hardisty, Manager - Human Resources, Canadian Imperial Bank of Commerce, 55 Bishopsgate, London EC2N 3NN.

All replies will be treated in the strictest confidence and appointments will be scheduled for early February 1987.

CIBC Canadian Imperial Bank of Commerce

Office Manager

Stockbroking **City**

£40,000 Negotiable

Our client is a leading firm of stockbrokers in the City. The Office Manager will be retiring during the course of this year and we are seeking an early replacement in order to ensure a brief familiarisation period.

The Office Manager—who works in parallel with the Financial Controller—is accountable to the Director of Administration for the management, motivation and supervision of 60 back office staff.

Candidates will be aged 40 or over and will have spent the majority of their career in the securities industry with the emphasis on stockbroking. We are seeking management and organisational ability, the capacity to engender staff loyalty and an excellent record of client service.

Salary is negotiable and a range of benefits including a car scheme is open to discussion. Please forward a full CV quoting ref LM36 to Terry Fuller, Spicer and Pegler Associates, Executive Selection, 65 Crutched Friars, London EC3N 2NP. Alternatively telephone him outside office hours on 01-693 3739.

Spicer and Pegler Associates
Management Services

Financial Business Analysts

Capital Markets Administration Planning

Package to £40,000 + benefits and relocation

We have been retained by our client, Shearson Lehman Brothers, one of the most substantial companies in the financial marketplace, to recruit an accomplished Business Analyst from the U.K. or Europe who will play a key role in increasing the efficiency of the organisation's business systems.

It is expected that you will be a decisive and technically aware professional, ideally in your thirties, having a recognised degree and possessing good communication skills. You will have a strong but diplomatic personality with the ability to work alone and function under close scrutiny and with a high profile.

You will have a thorough knowledge of the planning and managing of all aspects of a project life cycle together with a good understanding of accounting, experience of financial services and a working knowledge of PC's.

Key responsibilities will include:

- Analysing business requirements; making summary recommendations.
- Conducting organisation and methodology studies of existing departments and functions; recommending efficiency improvements.
- Determining the need for Information Services support and preparing user functional specifications.
- Managing the user involvement of the Information Services development.
- Managing the user testing of business systems.
- Co-ordinating the training/re-training of support staff.

SHEARSON LEHMAN BROTHERS
An American Express company

Please call **Cathy Walsh,** our Recruitment Director, for further information on **01-388 4252** or on **01-388 8366** late evenings and weekends. The strictest confidence is guaranteed.

RESOURCES INTERNATIONAL PLC
10 Fitzroy Square, London W1P 5HA.

Marketing Director

A leader in medical care needs an outstanding professional

Cromwell Hospital is one of the premier, private medical centres in Europe. The Hospital is used by many of Britain's most distinguished clinicians and is committed to maintaining the highest standards of medical technology, professional competence and patient amenities. Patients are drawn, in approximately equal proportions, from Britain, the rest of Europe and other parts of the world.

The new position of Marketing Director has been created in response to this diverse and sophisticated situation. The Director will be responsible for all aspects of market activity from strategic planning to the creation, management and implementation of annual plans and forecasts. Respect for professional excellence, as the basis for sustained profitability, will be of paramount importance. So too will be the flexibility and maturity to work with professional staff; co-operating with those who already promote their own activities, while supporting those who do not. In short, the role is both to manage and to be an innovator.

Marketing management experience is essential, gained in service or professional environments. Knowledge of the health care industry is highly desirable.

The successful candidate will report to the Chief Executive and salary and benefits will reflect senior management status. Benefits package includes a strong element of performance incentives, a car and relocation assistance where appropriate. Please apply, in confidence, with a full CV (including references) to, Mark Taylor, Chief Executive, Cromwell Hospital, Cromwell Road, London SW5 0TU. Tel: 01-370 4233.

The closing date for applications is 6th February 1987.

CROMWELL HOSPITAL

Baillie Gifford & Co BG

Executive Management of Pension Funds

Baillie Gifford is an investment management group whose policy of investing clients' money in successful fast growing companies from a variety of industries and countries has led to an outstanding performance. They have established various new Funds to invest in specialised markets and have dedicated teams responsible for stock selection and management of those Funds.

One step removed from this day to day Fund Management is the team of three partners whose task is to provide an interface with the Pension Fund clients. Their responsibilities include marketing and presentation to potential clients, liaising and agreeing policy with clients and agreeing investment parameters with the various investment teams to ensure the maximum benefit to the clients funds in fast changing market situations.

Pension funds now account for well over 40% of the £1.7 billion under management and are the fastest growing part of the business. As a consequence of the rapid growth and success of this group my client wishes to recruit an additional member for this small Pension Management team.

This is a senior position and whilst a specific qualification is not material you will have a knowledge of fund management operations and be a graduate manager in a financial services environment able to take full executive responsibility for gaining, retaining and developing pension fund management business.

Working in a small team with a high degree of responsibility the position will attract the highest calibre of applicants and the remuneration package and future prospects reflect this.

Relocation to Edinburgh is available if necessary.

Please send a detailed c.v. including current salary to Douglas Kinnaird CA as adviser to the Company quoting ref: 96/1269/FT.

PA Personnel Services

Executive Search · Selection · Psychometrics · Remuneration & Personnel Consultancy

Fitzpatrick House, 14/18 Cadogan Street, Glasgow G2 6QP
Telephone: 041-221 3954 Telex: 779148

CREDIT INSURANCE

Our specialist team now requires the following personnel:

SALESMAN
Based at Kingston upon Thames, the successful applicant will be responsible for the development of new Credit business. A company car will be provided.

SENIOR BROKER
Based at Kingston upon Thames, the successful applicant will need a thorough working knowledge of Credit Insurance Cover. Previous broking experience is desirable, but not essential. A company car will be provided.

Attractive salaries will be paid for both positions and fringe benefits include non-contributory pension scheme, and employee share scheme.

Please forward full Curriculum Vitae to:
Mary Hommert, Personnel Manager
Stewart Wrightson Ltd
Kingston Bridge House, Church Grove
Kingston upon Thames, Surrey KT1 4AG

CREDIT MANAGEMENT CONSULTANTS LIMITED

GENERAL MANAGER - DEVELOPMENT

High Technology Training

Central London c.£30,000 p.a.

A major international organisation, well respected in its sector, is strengthening the management team, preparatory to implementing a carefully designed growth plan. The need now is for a motivated executive to manage change as it arises.

The role to be performed will entail high level contact with appropriate officials and executives in government, industry, the professions and educational centres. In addition to engendering profitable business, there will be a need to design new products and, maybe, develop existing ones. You will report to the Divisional Director.

Certainly a graduate and/or professionally qualified, you will probably be aged 35/40 (m/f).

Your career to date must have included man management and it will be marketing/sales biased but the ability to think in broad business terms, to lead others and to achieve results will be critical. Such experience may well have been gained in a competitive service industry environment and a basic feeling for computers would be helpful.

An attractive package of c.£30,000 p.a., linked to a very high basic salary, is available. There is also a quality car, large corporation benefits and, if required, relocation expenses. Subject only to personal performance, early promotion may be anticipated.

Please write in strictest confidence, briefly initially to Peter Rolandi (Ref: 7001).

John Granville Associates
PERSONNEL MANAGEMENT & RESOURCING ADVISERS
Suite 71, The Hop Exchange, 24 Southwark Street, London SE1 1TY
☎ 0444 413858 (24 hours)

High Flying Graduate

Early/Mid Twenties

City of London **Exceptional Rewards**

Our client is a leading US investment house with an outstanding reputation in international capital markets. The Financial Strategies Group operates in London and New York and maintains highly sophisticated analytical models of product and market performance in the major financial centres.

Your role within this elite team is to promote the use of newly developed financial products and to provide a link with the fixed interest traders, the sales force and the firm's clients. This is a demanding position in a highly volatile and competitive environment and requires a strong interest in the financial sector.

Intellectual ability and good analytical and communications skills are essential. A good degree and proven numeracy are prerequisites and further study or relevant experience in a demanding business role would be desirable. Opportunities and rewards could be exceptional, based on individual contribution to the team. There will be an initial training period in New York.

Please write in confidence to Neil Cameron, quoting reference N749, at 84/86 Grays Inn Road, London WC1X 8AE (telephone 01-404 5971).

CAMERON · SIMPSON
Consultancy · Search · Selection

ARBITRAGE TRADER

Our rapidly expanding London office has an immediate opening for an experienced arbitrage trader to assist in the establishment of a securities arbitrage and derivative products trading unit.

Applicants should have at least three to five years experience in arbitrage and options trading with a major financial institution, a full understanding of the various products and markets, including the mechanics of pricing, computer-based trading programs and hedging transactions, and a proven ability to develop, price and trade new products.

The successful candidate will be expected to train others in the practices and procedures mentioned above. The remuneration package is attractive and competitive.

All replies should be addressed to Box A0386
Financial Times
10 Cannon Street, London EC4P 4BY

Deputy Treasurer

To £30K + substantial bonus + car City

This major U.K.-based international group has developed an outstanding reputation for treasury management. Expansion plans now provide an excellent opportunity for a marketing-oriented Deputy Treasurer.

The maintenance and enhancement of well-established relationships with banks will be a key feature of the role, as will the development and selling of financial products both inside and outside the Group. Skilful market analysis should also identify potential customers for trade finance and a spectrum of other services including foreign exchange, systems and treasury training.

Candidates must be of promotable calibre, with experience of marketing financial services, almost certainly gained in a bank; an A.I.B. or M.C.T. qualification would be an asset. Good interpersonal skills are essential; the age-range envisaged is 27 to 35.

Applications, please, in confidence, quoting reference 290/1/FT to S. C. Mackay at Charles Barker MSI, 30 Farringdon Street, London EC4A 4EA. Tel: 01-634 1143.

CHARLES BARKER
SELECTION·SEARCH·ADVERTISING

UNIVERSITY OF GLASGOW

PRINCIPAL

Sir Alwyn Williams, FRS, FRSE, Principal and Vice-Chancellor of the University of Glasgow, will retire on 30th September 1988.

The University Court invites any candidate of appropriate experience and background, or anyone wishing to suggest names for consideration, to write in confidence to The Chancellor's Assessor, Robert S. Smith, CBE, MA, LLD, CA, not later than 31st March 1987.

Communications for Dr Smith should be sent to him, c/o The Secretary of the University Court, The University, Glasgow, G12 8QQ.

COMMODITY Graham Stewart APPOINTMENTS

Commodity Appointments Ltd. 8 Egmont House, 116 Shaftesbury Avenue, London W1V 7DJ
Tel: 01-439 1701 Telex: 894038

OPERATIONS/ TRAFFIC MANAGER

(London)

Our client, an International Trading Company dealing in refined petroleum products is looking for an Operations Manager.

Located in central London, the successful candidate will be responsible for all aspects of traffic control and operations. He or she will interface closely with affiliates in the USA and Switzerland. A proven track record, with sound experience in all aspects of shipping and contractual documentation, L/C's is essential, as are good interpersonal skills.

This is a challenging position with an organisation enjoying expansion in its three centres of operations. An attractive salary package will be offered to the successful candidate.

WRITE OR TELEPHONE MR. KENNETH JACOB OR MISS NICOLE HYDE.

Nordic Mergers and Acquisitions Specialist

Citicorp continues to expand its investment banking activities in Europe and enjoys a first class reputation in Scandinavia.

We are looking for an additional professional to join our team focusing on Scandinavia within the M&A/Corporate Finance Department.

The position is to expand the department's corporate finance activity in Scandinavia. The individual will have both marketing and analytical responsibilities. A suitable candidate is likely to have experience of corporate finance and should be able to demonstrate an understanding of the strategic issues of corporate development as well as a personal interest in financial markets.

We expect suitable candidates to have a good understanding of the business environment in the Nordic countries with a specialist knowledge of at least one. *Fluency in Swedish and/or Norwegian is essential coupled with a business degree* or equivalent qualification.

Based in London and involving extensive European travel, this is a position of real scope and influence offering the highest quality career prospects and rewards.

To commence a confidential discussion please write with career details to Vivien Leach, Citicorp Investment Bank Limited, 335 Strand, London .WC2R 1LS.

CITICORP®

MARKETING SUPPORT

City — to £25,000 + Superior Benefits Package

- Outstanding opportunity to develop your credit and marketing expertise within a highly respected UK Merchant Bank.
- You are probably in your twenties, possess good credit skills and would enjoy being part of a professional team.
- You can offer a practical knowledge of French or Italian and you would enjoy using it!
- You relish using your initiative and would wish to work in an environment where progression is directly related to performance.

These appointments form part of the bank's expansion programme in the French and Italian markets.

Targeting both public and private sector organisations, the two groups market the full range of banking products.

If you would like to find out more about these challenging roles within a first rate name, please contact Susan Milford, Manager, Financial Appointments Division, quoting reference CG0381.

Telephone: 01-256 5041 (out of hours 01-398 4486)

Management Personnel
Recruitment Selection & Search
10 Finsbury Square, LONDON EC2A 1AD.

PORTFOLIO MANAGER
U.S. EQUITIES — BOURNEMOUTH

Abbey Life has recently formed a separate fund management subsidiary with the aim of establishing itself as a leading international fund management company. We already have £2bn of funds under management and an energetic and innovative management team.

We have a new vacancy for a U.S. Equities Portfolio Manager to join our existing U.S. team. As well as contributing to the team goals, he will be responsible for managing specific U.S. funds.

If you have 5 years experience of managing U.S. Equities and can prove that you can produce top quality investment performance we want to hear from you.

This is a rare opportunity to combine the challenge and exhilaration of a City job with the benefits of living in one of the U.K.'s most attractive locations.

In addition to a competitive salary, which will be flexible enough to attract the right candidate, we also offer performance related bonus, car, and the other substantial benefits you would expect from a major financial company.

Please apply with a full C.V. or telephone for an initial discussion to:

**George Yoxall, Director,
Abbey Life Investment Services Ltd.,
80 Holdenhurst Road,
Bournemouth BH8 8AL.
Tel. 0202 294224 (Direct Line)**

Abbey Life

BUSINESS GRADUATE 26

Experience in International Settlement Systems, Portfolio Administration and *Financial* Control

SEEKS DYNAMIC AND CHALLENGING POSITION in the U.K. or Overseas.

Please write to Box A0374, Financial Times, 10 Cannon St., London EC4P 4BY.

To Advertise please call

Emma Cox 01-236-3769
Daniel Berry 01-248-4782

FINANCIAL ADVISER

The new weekly newspaper to be launched by Financial Times Business Information in the spring, FINANCIAL ADVISER, is now recruiting an Advertisement Sales team.

Candidates are likely to be between 22 and 35 and may have experience in the personal savings market or in advertisement sales, though neither is essential.

The remuneration package will reflect the experience and quality of the successful applicants.

If you are interested in joining a fast-growing team please contact Nigel Pullman on 248 8000 for further discussions or write to him at Financial Times, Bracken House, 10 Cannon Street, London EC4P 4BY.

All applications will be treated in strictest confidence and would be welcomed from both men and women.

FTBI

International Appointments

TOKYO 東京

Our clients, who rank among the leading players in Tokyo, are committed to developing a powerful global trading network. Exciting opportunities exist for specialists who possess the skills gained from exposure to the Japanese market, and who wish to join one of several established teams looking to increase their market share.

Applications would be welcomed from prospective candidates with experience in any one of the following:

Equity Research

Japanese Equity Sales

Fund Management

Young Japanese graduates who have recently taken, or who are in the process of completing, a second degree may also be considered for trainee roles within these sectors.

Rewards in the Japanese market are exceptional and expatriate benefits would *include free furnished accommodation, return air fares and discretionary bonus.*

Interested applicants who wish to discuss the possibility of relocating, or returning to Tokyo, please telephone for an initial discussion or send, in confidence, a Curriculum Vitae for the attention of:

**Robert Usher, Jonathan Wren International Ltd.,
170 Bishopsgate, LONDON EC2M 4LX,
tel: 01-623 1266, fax: 01-626 5258.**

London • Brussels • Hong Kong • *Sydney*

Jonathan Wren International Ltd
Banking Consultants

FOREIGN EXCHANGE DEALERS

We are looking for Foreign Exchange Dealers, with a minimum of three years experience trading major currencies at leading banks.

We need top talent with expertise, flair and energy.
We will provide a substantial financial package.

Please call John Lepine or Judy Painter on 01-283 8811 Ext. 3534 or send a CV to Nomura International Finance plc, Nomura House, 24 Monument Street, London EC3R 8AJ.

NOMURA
Nomura International Finance plc

International Appointments

FRANKFURT

Unser Kunde ist eine renommierte europäische Bank.
Für den Frankfurter Geld- Devisen- und Wertpapierhandel suchen wir zur Ergänzung des zur Zeit aus 25 Personen bestehenden Handelsteams:

Devisenhändler
Einsatzgebiet: Interbank Kasse und/oder Termin

Rentenhändler
Einsatzgebiet: Eurobondhandel und/oder artverwandte Tätigkeit wie FRN, SSD, Cups

Geldhändler
Einsatzgebiet: Eurogeldhandel und/oder FRA, IRS etc.

Voraussetzung für die Besetzung obiger Positionen sind englische Sprachkenntnisse und praktische Erfahrungen. Einsatzbereitschaft und Kontaktfreudigkeit setzen wir als Grundeinstellung voraus.

Wir bieten eine entsprechende Dotierung und banküblliche Sozialleistungen.

Bitte richten Sie *Ihre vollständigen Bewerbungsunterlagen mit* eventuellen Sperrvermerken an

**Felix MEYER-HORN
Geschäftsführer
Jonathan Wren International Ltd
Avenue Louise 203, Bte 4
1050 Brüssel, Belgien
Tel.: (02) 647.89.90 - Fax: (02) 640.62.72
London • Brussels • Hong-Kong • Sydney**

Jonathan Wren International Ltd
Banking Consultants

FOREIGN EXCHANGE
Kuwait

Our client, a leading commercial and international bank headquartered in Kuwait, is seeking to expand its Treasury Department by the appointment of the following:

Chief Dealer Foreign Exchange

The incumbent, who will be in his early 30s will manage and control the foreign exchange section of the dealing room and have responsibility for not only training junior members of staff, but also building up the bank's trading activities, both locally and internationally.

Senior Dealer Foreign Exchange

Reporting to the Chief Dealer, Foreign Exchange, the incumbent who will be in his mid 20s, will assist with the development of all aspects of the bank's spot and forward trading activities.

Both of the above positions require *considerable maturity of character* and a good knowledge of all aspects of foreign exchange, both spot and forward. Exposure to deposits and futures trading and to current investment products would be advantageous.

Excellent salaries are offered for both of these positions together with substantial expatriate benefits packages.

Interested candidates should forward their full Curriculum Vitae to **Robert Watsham, Director, Jonathan Wren International Ltd, 170 Bishopsgate, London EC2M 4LX. *Tel: 01-623 1266. Fax: 01-626 5258.***

Jonathan Wren International Ltd
Banking Consultants

Portfolio Manager
International Private Bank
Excellent Salary + Banking Benefits

The London-based Private Banking group of The Chase Manhattan Bank N.A. is seeking an experienced portfolio manager to start up a new investment management service for the bank's international high net worth individual customer base. This new business venture will naturally receive all the necessary support required that a leading world bank can provide.

Our group of multi-lingual officers in the bank's West End offices already markets to a widely spread customer base and therefore the emphasis of the portfolio manager's role will be in effective investment management.

You will have already demonstrated good analytical and money management skills. This experience should include between three and four years in the investment of private client portfolios containing multi-currency bonds and international equities with solid expertise in London traded dollar denominated debt securities.

This appointment represents a rare opportunity to make an impact on a fast expanding London unit of an organisation which is already well established and successful.

Please send a comprehensive CV to Miss Shirley Caine, Senior Personnel Officer, The Chase Manhattan Bank N.A., Woolgate House, Coleman Street, London EC2P 2HD.

CHASE

Portfolio Manager UK Equities

Swiss Re (UK), a member of the worldwide Swiss Reinsurance Company based in Zurich, is a major reinsurance company operating within the City. Currently situated in Cannon Street we will be moving to *new prestigious offices in Leadenhall Street* during the latter half of this year.

We are currently seeking a portfolio manager to join our small and successful investment team. The main responsibility will be the management of the UK equity portfolio, but the successful candidate will also be involved in investment-related activities in other markets, reflecting the wide international spread of the Company's business.

The successful candidate is likely to be in his/her 20's, with 2 years' experience of equity research and/or portfolio work in an insurance company or other financial institution, and with the competence and confidence necessary to take direct control and responsibility for the portfolio(s) in question. A good academic background is *essential, and progress towards SIA* membership is desirable.

A competitive salary dependent on experience will be offered, along with the normal range of benefits of a large financial institution.

Applications with a full C.V. including a daytime telephone number and present salary should be sent by the closing date 18 February 1987 to: Ms S Shutler, Swiss Reinsurance Company (UK) Ltd., 108 Cannon Street, London EC4N 6HE.

Swiss Re (UK) SR UK

MANAGING DIRECTOR FINANCIAL MANAGER
AFRICA

Our client Meridien International Bank Limited, a rapidly expanding subsidiary of the multinational ITM Group, is establishing a commercial bank in francophone Central Africa and seeks suitably qualified personnel to fill the above key posts.

The Group's wide-ranging activities in the sphere of trade and finance are at present largely concentrated in English speaking African countries but extend to over 40 countries worldwide.

Applicants should have substantial commercial banking experience and should be fluent in either English or French, with a very good working knowledge of the other. Experience of living and working ind developing countries will be advantageous.

Appointments will be made for an initial 2 year period but career prospects within the expanding Group are excellent. An attractive remuneration package will be negotiated with the successful candidate.

Please reply to:
**Managing Director, P.H. Recruitment Limited
16 Grosvenor Street, London W1X 9FB**

Portfolio Manager/Investment Advisor

Nassau, Bahamas, subsidiary of Bank Leu A.G., wishes to engage an investments expert for a senior position in their Private Banking Division. Previous experience in a wide variety of financial instruments in Asian, European and particularly U.S. markets is important. Responsibilities include making investment decisions for managed, discretionary portfolios as well as counselling clients who want investment advice. Considerabl scope for initiative and imagination. Ideal candidate would preferably be Swiss national, at least thirty-five years old, with a good personality and a successful record of investments. Initial contract would be for three years, renewable thereafter, with attractive tax-free compensation package that includes salary fully commensurate with experience and ability, annual performance bonus, housing allowance and other benefits.

Interested candidates should apply in confidence to
**The Managing Director
BANK LEU INTERNATIONAL LIMITED
P.O. Box N3926, Nassau, Bahamas**
with full details of experience in investments.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday January 28 1987

Fermenta and Monsanto call off deal

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

FERMENTA, the deeply troubled Swedish antibiotics and animal health group, and Monsanto, the US chemicals group, have called off the planned acquisition by the US concern of Fermenta's US agrochemicals operations.

As recently as 10 days ago the company had been forecasting net extraordinary profits from the disposal of SKr 270m ($41.6m) to be included in the 1986 results, and the collapse of the deal is now expected to plunge Fermenta into substantial loss for 1986.

Less than three months ago Fermenta forecast profits (after extraordinary items but before tax and allocations) for 1986 in excess of SKr 1.5bn. But this has now evaporated following a series of dramatic disclosures of far-reaching irregularities in the group's accounts.

The collapse of the deal with Monsanto sent the Fermenta share price to a new low yesterday with the B-restricted share closing at SKr 20 a share from SKr 27.50 on Monday and a peak in early 1986 of SKr 295.

It is the latest blow to the company, which is under police investigation for accounting fraud. Earlier this month it was struck off the Stockholm stock exchange for its "almost unprecedented behaviour," and for issuing a "grossly deceptive" profits forecast for 1986.

Mr Mats Ödman, Fermenta spokesman, said yesterday that the company was now negotiating "long-term solutions" with its Swedish banks to bolster its liquidity buring 1987, following the collapse of the Monsanto deal.

He said, the group was barely breaking even at an operating level in the last four months of 1986, and it faced serious liquidity problems for varying periods during last year. "Now that we don't get the money from Monsanto, it must come from somewhere else," he said.

The breakdown of the deal with Monsanto – a preliminary agreement was signed in December – will further stretch the Fermenta balance sheet.

According to a report issued by Fermenta two weeks ago its solvency (equity-to-assets) ratio will fall to only 18 per cent instead of the 23 per cent expected after the agrochemicals disposal.

Mr Ödman said that Monsanto had introduced "what we regarded as new terms. This has made us less eager to continue the deal. We would be losing the group's most important cash cow."

Fermenta Plant Protection, the group's US agrochemicals subsidiary, is one of the few profitable parts of the Fermenta group and accounts for about a third of group turnover.

For Monsanto the planned acquisition had offered it the chance to break into the fungicides segment of the US agrochemicals market, a sector in which it is unrepresented.

It said yesterday that after nearly six months of negotiation the two companies "had been unable to conclude an agreement," but it declined to give any detailed reasons for the collapse of the deal.

At an extraordinary meeting of Fermenta shareholders tomorrow, the company is expected to agree to demands for the appointment of a special independent investigator to examine the company's accounts on behalf of minority shareholders.

Robert Thompson looks at Peking's 12.5 per cent stake in Cathay Pacific

China reaches an arm across the bay

THE CHINA International Trust and Investment Corporation (Citic) has taken a 12.5 per cent stake in Cathay Pacific Airways, for HK$2bn (US$257m) – by far the corporation's largest foreign investment, since its founding in 1979.

Citic's image abroad is of an unusually efficient and gung-ho company run by elderly and repatriated capitalists. While that is partly true, the corporation, which falls directly under the control of the governing state council, performs both political and commercial roles. The Cathay Pacific deal falls into both categories.

The statutory function of the corporation is "to introduce, absorb and apply foreign investment, advanced technology and equipment ... for China's national construction." It has issued bonds in Hong Kong and Japan, and has a large portfolio of investments within China.

In its foreign investments, the corporation has focused on buying resources badly needed for "national construction." It has thus bought into the US timber industry in Washington state, and last year took a 10 per cent, $70m stake in an aluminium smelter in the Australian state of Victoria – its largest investment until yesterday.

The political role has been most evident in its aim to maintain stability in Hong Kong, an aim clearly shown in the move to rescue the ailing Ka Wah Bank in December 1985. Cathay Pacific Airways is neither a scarce resource nor ailing. The share purchase is a sign that Peking intends to take a stronger and more aggressive institutional role in Hong Kong, and that it has baptised the British-registered Cathay Pacific as a Hong Kong airline.

At present Cathay flies twice a week to Peking, while the Chinese national carrier, CAAC (Civil Aviation Administration of China), has about 60 flights a week from the mainland to Hong Kong. That Peking sees Cathay as more than a British airline was shown when British Airways was replaced on the Hong Kong-Peking route early last year by Cathay Pacific.

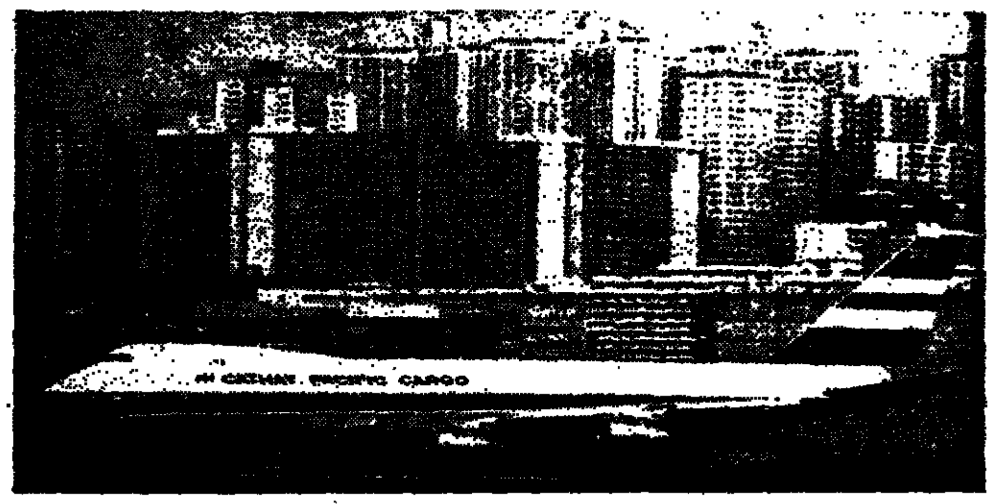
Diplomats expect that Citic will expand its interests in the airline in coming years, and that the Chinese Government is likely to be more willing to grant concessions on the lopsided air traffic rights agreement with the British Government. Peking has promised a "high degree of autonomy" to Hong Kong, and it can now be seen to be doing that with Cathay, which will remain the territory's de facto carrier, while maintaining a significant stake itself.

Interestingly, the influential Economic Daily newspaper yesterday carried a rare commentary recommending that Hong Kong keep its dollar pegged to the US dollar. There has been speculation in Hong Kong of a revaluation of the Hong Kong dollar, but yesterday's unusual article, which said the pegged currency has "created a stable investment environment," makes it clear that Peking is not afraid to offer words of advice to the Hong Kong administration.

Citic's interest in Hong Kong dates back to 1980, when it established a branch office in the territory. Citic (Hong Kong) was formed in 1985, and has specialised in technology and financial services projects. The corporation has now decided to set up Citic Hong Kong (Holdings) as another subsidiary in order to expand its interests.

The Cathay Pacific purchase comes when the Chinese Communist Party is in the midst of political turmoil following the forced resignation of Hu Yaobang, the party's general secretary. Diplomats believe that the Chinese Government is hoping the purchase will be interpreted by foreign investors as a positive sign that the "open door" policy will remain in place despite Hu's fall, and as an indication that communist China can play by capitalist rules.

Cathay has one of the most modern long-range jet airliner fleets in the world, comprising three Boeing 747-300s, eight Boeing 747-200Bs and one 747-200 freighter, and nine Lockheed Tristars, all using Rolls-Royce engines. The new Boeing 747-400s will join the fleet before the end of this decade.



Flag carrier with a course set for worldwide expansion

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT, IN LONDON

CATHAY PACIFIC Airways is the one of the major regional scheduled passenger and cargo airlines in the Far East, serving many large cities worldwide with a fleet of Rolls-Royce powered Boeing 747 Jumbo jets and Lockheed Super TriStars.

It is the "flag carrier" of Hong Kong, and carries about 4m passengers annually in addition to over 130m kg of cargo and substantial quantities of mail.

As such, it has a particularly significant niche in the economic life of Hong Kong itself, while also now being regarded as one of the world's most vigorous and forward looking airlines. Cathay is expansion minded and determined to ensure that whatever the long-term future might hold, it will continue to be the designated flag airline of Hong Kong, even after the Chinese take over in 1997.

Cathay's network covers over a score of countries, ranging from Seoul in the north to Melbourne in the south and from London to Vancouver and San Francisco. As such, it is a "global airline" in the literal sense, even though it operates from a tiny territory on the Chinese mainland.

As part of its expansionist activities, Cathay some time ago introduced the first non-stop flights between London and Hong Kong, and together with stopping flights it now has 10 services each way weaekly between the two points. Cathay is more than holding its own against fierce competition from both British Airways and British Caledonian.

Cathay was formed in 1946 bay two ex-wartime pilots – and Australian, Sydney de Kantzow, and an American, Roy Farrell – and has grown from a small pioneer charter airline flying surplus DC-3 Dakota aircraft.

The Swire Group, together with Australian National Airways, secured a major holding in the company in 1948, and Swire interests have provided the management ever since. Cathay absorbed Hong Kong Airways in 1959.

In 1980, British Airways Associated Companies, which held a 15 per cent interest in Cathay, sold that stake to two other shareholders, Swire Pacific and the Hong Kong and Shanghai Banking Corporation. As a result, Swire held about 71 per cent, and the Bank 29 per cent, of the Cathay equity.

In April, last year, a public share offer by Cathay in Hong Kong shattered the territory's financial records with applications of HK$51bn, (US$6.54bn).

Following the deal with Citic the Swire Group will hold about 50.23 per cent of the Cathay equity and the Shanghai Bank about 16.43 per cent. Both the Swire Group and the Hong Kong bank have said they will retain their shares in Cathay as long-term investments.

During the massive expansion of world air transport over recent years, Cathay has achieved an annual rate of growth well above the world average, of about 20 per cent against the seven to 10 per cent achieved elsewhere.

Cathay has one of the most modern long-range jet airliner fleets in the world, comprising three Boeing 747-300s, eight Boeing 747-200Bs and one 747-200 freighter, and nine Lockheed Tristars, all using Rolls-Royce engines. The new Boeing 747-400s will join the fleet before the end of this decade.

Piedmont faces Norfolk Southern bid

By William Hall in New York

NORFOLK SOUTHERN Corporation, the large US transport group, is considering entering the airline business and making a bid for Piedmont Aviation, one of the most successful medium-sized US airlines.

The move is the latest sign of the continuing upheaval in the US airline industry which is being transformed by a spate of mergers.

However, unlike other recent takeover moves which have reflected an urge by airlines to merge into larger and more powerful groupings, Norfolk Southern is unusual in that it is considering entering an industry with a highly volatile financial history.

Norfolk Southern revealed its interest in Piedmont in a filing with the US Securities and Exchange Commission yesterday. It said it had retained an investment bank to help advise it in connection with the possible acquisition of Piedmont, which has annual revenues of around $2bn. It employs 20,000 and has a fleet of 160 jets.

The 39-year old airline says that it is one of only three airlines to have made a profit every year since the deregulation of the industry which has caused financial turmoil for many of its competitors.

In early trading yesterday, Piedmont's shares jumped by $7⅝ to $57⅝ capitalising the group at more than $1bn.

Norfolk & Western Railway, a predecessor of Norfolk Southern, bought a stake in Piedmont several years ago and helped finance the group's expansion by injecting new capital in 1981. Although the company had discussed a possible merger at the time, it agreed to a five-year standstill agreement which prevented it from increasing its stake to more than 20.5 per cent.

The standstill agreement, which also barred Norfolk Southern from disposing of its stake, currently 19.44 per cent, in a block transaction, expired on Monday.

UAL 'disappointed' with $11.4m profit

BY ANATOLE KALETSKY IN NEW YORK

UAL, the parent company of United Airlines, Hertz car rentals and Westin Hotels, reported a "disappointing" net profit of $11.4m, or 25 cents a share for 1986, after a net loss of $48.7m, or $2.09 a share, in 1985.

The fourth quarter showed a net loss of $13.6m, or 28 cents a share, compared with net earnings of $20.8m a year earlier. UAL stressed that none of the usual year-to-year comparisons were valid because of unusual factors affecting the 1986 and 1985 figures.

In the fourth quarter of 1986, UAL reversed tax credits of $30m, whereas it gained $136.8m the year before from a recapture of pension-fund assets. For 1986 as a whole the company suffered an unrealised foreign exchange loss of $121.0m on its large yen-denominated debts. In 1985 the corresponding currency loss was $33.9m.

In addition, comparisons are distorted by the costly 29-day strike suffered by United Airlines in 1985, by the acquisition of Hertz in August 1985, and by the purchase of Pan Am's Pacific routes in February 1986.

Nevertheless, Mr Richard Ferris, UAL's chairman, said the results were disappointing and he attributed the poor performance mainly to the United Airlines subsidiary, which accounted for $7.11bn of UAL's $9.2bn consolidated revenues in 1986 (against $6.4bn in 1985).

The airline had an operating loss of $13.1m in the fourth quarter of 1986, but an operating profit of $73.3m for the full year. In 1985, it had operating losses of $77.1m in the last quarter and $242.7m in the full year.

However, apart from the 1985 strike, a major factor in the 1986 improvement was an $80.6m gain for the full year from a change in the method of accounting for the depreciation of aircraft.

Hertz and Westin were both performing satisfactorily, he added. In 1986, Hertz had operating profits of $53.5m on revenues of $1.6bn and Westin earned $55.0m at the operating level on revenues of $491.6m.

Nixdorf sales rise 15%

BY ANDREW FISHER IN FRANKFURT

NIXDORF COMPUTER said sales rose by 15 per cent last year to DM 4.5bn ($2.5bn), with net income moving ahead at a much faster rate.

The West German company said that sales would have risen faster, by around 21 per cent, but for currency adjustments associated with the strength of the D-Mark.

The inflow of new business was also affected by the currency situation, with a rise of 13 per cent in orders-in-hand to just over DM 4.4bn.

Nixdorf said it would announce its full results early in April. In 1985, its net profits increased sharply by 43 per cent to DM 172m. Just over half of its 1986 revenues were achieved in the German market, where sales went up by 21 per cent.

Mr Klaus Luft, the chairman, said that Nixdorf aimed to keep up a growth rate that was above the industry average. Its capital spending last year was DM 600m, a rise of about 30 per cent. The company has already foreshadowed a further 20 per cent rise in 1987. Research and development spending totalled DM 420m.

Nixdorf plans to employ a further 2000 people this year.

Merck ends year with 28% advance

By James Buchan in New York

MERCK, the US pharmaceutical company which is a constituent of the Dow Jones industrial index, yesterday reported a 28 per cent advance in earnings in the last quarter of 1986, more than confirming the stock-market's recent confidence.

Merck, whose share price has doubled since the beginning of last year, rose another $3 to $137 in early trading yesterday after reporting net income for the quarter of $171.8m, or $1.26 a share, against $134.4m, or 98 cents in the last quarter of 1985.

The strong fourth-quarter performance pushed earnings for the year to $675.7m, up 25 per cent, with a 28 per cent rise in per-share earnings to $4.85 due to the repurchase of shares. Sales for the quarter were up 20 per cent to $1.1bn, and 16 per cent to $4.1bn for the year.

Merck said that of five new drugs launched in the US last year, three had found strong acceptance.

The results from Merck, the US drug company most firmly focused on medicine, overshadowed yesterday's statement from Warner-Lambert, a more diversified group which has just passed through a major restructuring. Warner-Lambert said that it expected earnings per share "to increase by at least 15 per cent in 1987."

Excluding special charges, Warner-Lambert reported broadly unchanged net income for the quarter of $56.5m, which translated into a 20 per cent gain in per share earnings to 79 cents.

Earnings for the full year were $262m, or $3.54 a share, against $238m or $3.05 a share in 1985. In addition, Warner-Lambert took an extraordinary credit last year of $48m as a clawback from a 1985 fourth-quarter charge of $553m to account for the sale of its medical equipment business.

Stone Container to acquire timber company

BY RODERICK ORAM IN NEW YORK

SOUTHWEST Forest Industries, an Arizona-based paper products and timber company, has agreed to a $445m takeover by Stone Container, a leading producer of paperboard and corrugated containers based in Chicago.

For each Southwest share, Stone is offering $32.25 plus 25 cents to redeem certain shareholder rights. Shares in both companies were actively traded on the New York Stock Exchange after the announcement. Southwest's stock rose $7½ to $31¼ while Stone's fell $2 to $70¼.

Stone said the acquisition would bring it major benefits in terms of plant locations and product distribution while expanding its operations in areas such as newsprint and pulp.

Stone produces annually about 3.3m tons of linerboard, corrugated materials and kraft paper and makes corrugated containers and paper bags, generating more than $2bn a year in sales.

Southwest also announced a return to net profit at the operating level in the fourth quarter and year ended December 31. Net totalled $5.1m, or 30 cents a share, in the quarter against a loss of $5.6m, or 76 cents, a year earlier. Revenues rose to $169.9m from $140.1m.

Meanwhile, Weyerhaeuser, one of the largest US forest products companies, reported a sharp rise in earnings for the fourth quarter ended December 31. Net profits were $96.1m, or 70 cents a share, against $63.6m, or 43 cents a year earlier. Sales totalled $1.45bn compared with $1.24bn.

Full year net profits rose to $276.7m, or $1.91bn.

Merrill Lynch advances strongly at year-end

BY RODERICK ORAM IN NEW YORK

MERRILL LYNCH, the world's large retail brokerage house, has reported a sharp rise in profits in the fourth quarter and full year thanks to strong performances from many business sectors including investment banking, asset management, insurance and principle transactions.

Net profits for the quarter almost tripled to $182.8m from $62.7m, which boosted full-year profits to $454.3m from $224.3m. Both periods included a $105.2m after-tax gain from the sale of its leasing operation and a $14.8m loss from early recall of some medium-term debt issues to take advantage of lower interest rates.

On a primary per share basis, profits were $1.70 versus 62 cents in the quarter and $4.30 against $2.26 in the year. The full-year earnings broke the previous record of $308.8m set in 1982.

Revenues rose 37 per cent in the quarter to $2.76bn from $2.02bn and by 35 per cent in the year to $9.61bn from $7.12bn. The firm set revenue records in all its business categories.

Insurance supplied the largest revenue gain with a tripling to $848m. The key factor was the popularity of a single-premium whole life insurance policy introduced last June. Revenues from commissions, investment banking and asset management increased 35 per cent during the year.

Interest revenues increased 19 per cent during the year to $3.05bn, while interest costs grew 22 per cent to $2.70bn. Expenses excluding interest and the debt recall increased 35 per cent in the year and 40 per cent in the quarter, reflecting the sharply increased pace of business, expansion of the firm's global network and improvements to operating facilities.

3M recovers performance with 17% profits rise on higher sales

BY ANATOLE KALETSKY IN NEW YORK

MINNESOTA Mining and Manufacturing (3M), the diversified industrial group based in St Paul, Minnesota, recovered strongly in 1986 with a 17.4 per cent improvement in net earnings to $779m, or $6.80 a share, from $664m, or $5.77 a share, in 1985.

In the fourth quarter last year 3M earned $185m, or $1.63 a share, 26.1 per cent up on the $148m net profits a year earlier.

The company's sales in 1986 were $8.60bn, 9.6 per cent higher than 1985's $7.84. For the quarter sales were $2.11bn, up from $1.96bn.

3M's strong gains last year follow a long period of disappointing performance for the company, which Wall Street has continued to regard as one of America's best managed businesses despite its meagre earnings growth of only 0.3 per cent from 1980 to 1985 and its unfashionable strategy of broad diversification.

It has continued, in the face of intense competition, to spend a high proportion of revenues on research and development and to manufacture all kinds of industrial materials, adhesives and coatings, fasteners, video cassettes, magnetic storage discs and other electronic devices, drugs, surgical and health care products and graphics and photographic goods.

One important reason for last year's earnings improvement was the fall in the dollar. The company said that currency changes increased 1986 income by $79m or 69 cents a share. A new accounting standard for US pension costs boosted earnings by another $28m or 24 cents a share.

In addition, fourth-quarter earnings in 1985 were reduced by a $50m charge relating to the termination of a joint venture in copiers and facsimile machines.

Fiat boosted by higher car output

BY JOHN WYLES IN ROME

FIAT GROUP, helped by a 20 per cent rise in car production last year achieved "world class" gross profits of L2,550bn ($1.97bn) and the prospect of a matching financial performance in 1987.

Outlining the preliminary figures in his annual letter to shareholders, Mr Gianni Agnelli, Fiat chairman, called 1986 a "crucial year" in which the vehicles and engineering group had achieved "world class profitability and financial strength."

Fiat had now reached a level of profitability "which puts us in a solid position to deal both with the challenges we have taken on and the inevitable cyclical changes we must expect," said Mr Agnelli.

The consolidated operating profit was 12.4 per cent higher than that of 1985, despite only a 7.8 per cent rise in sales to L32,943bn. These were held down in Lira terms by a 22 per cent fall in the dollar, lower domestic inflation and a big drop in demand from Opec countries. Despite this, gross profits rose from 8.3 per cent to 8.8 per cent of turnover.

The board is forecasting a "notable increase" in turnover in 1987, following the takeover of Alfa Romeo and other acquisitions, together which profits "with will not be below" those of 1986.

After a capital increase during the year of L1,200bn, Fiat's net consolidated debt has shrunk from L2,364bn to L1,050bn – a figure which includes the L1,565bn of convertible bonds acquired as part of the $3bn buy-out of Libya's 15 per cent shareholding. Self-financing, at L3,700bn, was 25 per cent up on the year before.

Despite sales growth in other areas such as metal products (up 18.5 per cent) components (10.8 per cent) and aviation (31.2 per cent) cars continued to dominate the group's activities with a 14 per cent increase in revenues to L18,400bn. Fiat Auto's share of the European market rose from 12.3 per cent to 12.7 per cent, and of the Italian market from 52.2 per cent to 54.3 per cent. Production rose 20 per cent to 1,526,000 units.

Industrial vehicles sales rose a modest 1 per cent to L5,450bn.

Procter & Gamble boosts profits

By Our New York Staff

PROCTER & GAMBLE, the leading US detergent and personal products company, had net earnings of $190m, or $1.11 a share, in the December quarter, 15 per cent higher than the $165m, or 99 cents a share, recorded the year before.

In the six months since last June, which is the beginning of the company's fiscal year, Procter & Gamble earned $463m, or $2.72 a share, 11.6 per cent up on the $415m, or $2.48 a share, earned in 1985.

P&G's worldwide sales in the last quarter were $4.25bn, an increase of 10 per cent over the same period in 1985, while in the six months from June to December, the company's sales rose to $8.61bn, 15 per cent more than the year before. Both higher selling prices and greater unit volumes contributed to the increases in sales, P&G said.

Operating profits increased faster than revenues or net earnings, rising 22 per cent to $345m in the last quarter of 1986 and by 21 per cent to $860m in the six-month period.

The company said net earnings had been adversely affected by the absence of investment tax credits in 1986 and would continue to be negatively influenced by tax reform for the remainder of the current fiscal year.

From July 1987 onwards, however, the cut in corporate tax rates from 46 per cent to 34 per cent would tend to improve net earnings.

Boeing growth slows in quarter

By Our New York Staff

BOEING, the world's largest aircraft maker, has reported a slowdown in profit growth in the fourth quarter and forecast a drop in sales revenue this year because of a lull in its military and space business.

However, the group has increased its quarterly dividend from 30 cents to 35 cents a share.

For the three months ended December 31, the Seattle-based group had net profits of $191m or $1.23 a share on revenues of $4.98bn compared with $188m, or $1.21 on $4.24bn a year earlier.

Profits for the full year were $665m or $4.28 on sales of $16.34bn against $566m or $3.75 on $13.64bn a year earlier.

The company said results were hurt in the latest period by higher expenses in areas such as research and development for both civilian and military programmes and increased pressure on profit margins. For the full year R & D increased to $757m from $409m in 1985 and will rise further this year.

Based on current production schedules, sales will fall this year to about $14.75bn. Mr Frank Shrontz, president and chief executive, warned that the company faced "several transitional years" before deliveries began in late 1988 of several new aircraft models such as the 737-400 and 747-400. On the military side, several major programmes have ended, while new ones are still in the development phase.

Boeing delivered a total of 291 civilian aircraft last year, compared with 203 the year before, and expects to deliver 310 this year. Domestic and foreign military sales rose $1bn to $6.5bn in 1986.

Karstadt reaps benefits of rise in demand

By David Marsh in Bonn

KARSTADT, the West German store concern, boosted earnings last year, reaping the benefit like other retail chains of a sharp rise in domestic consumer demand.

It said parent company profits rose last year, when the group registered net earnings of DM 37.1m

Although full group figures are not yet available, the parent company turnover, not including travel business, rose 4.6 per cent, representing roughly the same increase in real terms considering the slight fall in the West German cost of living over the past year.

Calling the overall group result last year "satisfactory", Karstadt said its Neckermann Versand mail order subsidiary achieved decisive improvement in results last year.

Groupe André sees further improvement

BY DAVID HOUSEGO IN PARIS

GROUPE ANDRÉ, France's largest retail shoe group, doubled net consolidated profits last year and forecast continuing strong profit growth in the years ahead.

Net profits rose 102 per cent to FFr 147.8m ($24.3m) (including FFr 33.3m of non-recurrent gains) on the basis of a 20 per cent growth in turnover to FFr 4.2bn.

Mr Jean-Louis Descours, president of the group, said its intention was to double turnover in five years and trading profits in three years. He forecast that trading profits would grow 25 per cent in the year ending August 31 to FFr 140m with turnover rising 15 per cent.

Mr Descours also raised the possibility of Groupe André – which is quoted on the unlisted securities market – seeking a quotation on the full bourse and raising further capital through a bonds with warrants attached issue.

The sharp profit rise this year follows a five-year expansion period for the French group in which it has doubled its market share in France to more than 10 per cent at a time when demand for shoes has been falling.

André attributes last year's sharp profit rise to the turnround in results in its West German subsidiary which reported net earnings of FFr 7.3m against FFr 18m losses in 1984-85 as well as to improved results in its French stores.

The group was also able to reduce its financial charges which accounted for 2.2 per cent of turnover in 1985-86 as opposed to 2.7 per cent the previous year.

INTL. COMPANIES and FINANCE

Hero fends off Jacobs Suchard bid

BY JOHN WICKS IN LENZBURG

HERO, the Swiss foods group, has succeeded in warding off a takeover by Jacobs Suchard, the Zurich coffee and chocolate concern.

At the same time, the Hero board has proposed capital restructuring measures to strengthen the company's defences against any future acquisition attempts.

Colima Holdings, the majority shareholder of Jacobs Suchard, is to sell 20,000 bearer shares and 30,000 registered shares of Hero Conserven Lenzburg to Hero's management at an unspecified price.

This packet, which accounts for almost one-third of Hero's overall share capital, had been bought by Colima Holdings earlier this month. A subsequent move to form a group combining Jacobs Suchard and Hero was rejected by Hero, while a Hero bid for 80 per cent of the Colima packet at below the market price was turned down by Colima.

Hero has now been successful with an offer for the whole of the Colima shareholding, whereby Colima obtains first refusal should the Hero management want to dispose of its controlling stake in the company in the next four years. In Lenzburg yesterday, however, Mr Rudolf Stump, management chairman, said there was no intention that this should take place.

Mr Alfred Sarasin, Hero board chairman, said that part of the management's new share packet was in the medium term intended to be placed with investors interested in keeping Hero independent.

The reason for Colima's change of heart was explained by Mr Charles Gebhard, general manager of Jacobs Suchard. The company, he said, felt that the group's aims in its proposals to Hero could be accomplished only on the basis of friendly co-operation and the support of Hero's board and management. A takeover involving legal battles would be in the interest of neither company, he added.

At an extraordinary general meeting to be held next month, the board will ask shareholders to approve the conversion of all 62,500 bearer shares into registered shares of SFr 400 nominal value. At the same time, participation-certificate capital of a nominal SFr 10m ($6.5m) will be created.

Holders of one new registered share of SFr 400 nominal value or four existing registered shares of SFr 100 each would be granted drawing rights to buy one of the new, SFr 100 certificates at par.

Mr Sarasin said that corporate earnings will have reached a new peak in respect of 1986 and indicated that Hero would increase its dividend for the year.

Hong Kong to tighten share listing controls

HONG KONG regulatory authorities are moving to tighten controls on back-door share listings after a spate of acquisitions of shell companies, Reuter reports from Hong Kong.

Mr Phillip Thorpe, assistant securities commissioner, said the commissioner's office and the Stock Exchange are reviewing listing rules. He said the exchange already has agreed to bar the use of liquidated companies as a means to go public.

"It should not be a back door to allow companies otherwise unsuitable for listing to come to the market," he said.

"From what we have seen there have been applications that would not be acceptable for a main board new listing." Mr Thorpe added that the number of applications for listing through the acquisition of shell companies currently exceeded those for conventional share flotations.

Stock exchange data show that 19 companies listed their shares last year and 10 of them used dormant shell companies. Three of those—Wheelock Maritime International, Bylamson and Associates Enterprises, and Marvelous Investment—had previously been liquidated.

Mr Thorpe, who since last October has headed a task force to monitor listings, takeovers and mergers, said there are still 10 outstanding proposals for takeovers of shell companies.

Mr Donald Tsang, Stock Exchange manager, said he is examining a plan by Tian An Development China to buy the shell of Allied Food Company which, if approved, would be the last reactivation of a wound-up company. All companies in liquidation still on the exchange will be delisted, he added.

Mr Thorpe said existing rules may have to be revised to examine the listing of businesses such as investment or management companies with few assets in the territory.

"Our listing requirements and the commission guidelines may not be adequate to cope with the new types of companies and proposals we are now seeing in Hong Kong."

The commission suggests that, for new listings, 25 per cent of a relisted company's shares be made available to the public and that its new owners have adequate business records. It also requires that the new company be suitable for listing.

Mr Thorpe said there is no problem with reactivated listings that meet requirements, but added that he believes there should be separate provisions for shell companies.

Support for a revision of listing rules has also emerged among corporate finance executives in the territory.

"The authorities ought to think about appropriate adjustments since these rules were not written taking into account the likelihood that there will be so many firms wanting to list here," said Mr Giles Elliot, a director of Schroders Asia.

He said existing legislation is vague and subjective. He noted there is no clear definition of an adequate business record.

The shell company review is part of a move by the securities commissioner's office to strengthen its regulatory powers over the local securities market.

De Laurentiis in Australian offer

MR DINO DE LAURENTIIS, the US film producer, is to offer Australian investors shares in De Laurentiis Entertainment, a production and distribution company being formed there, agencies report from Brisbane.

Mr De Laurentiis will be chairman of the company, which will seek an Australian stock exchange listing. The managing director will be Mr Terry Jackman, who has been involved in the marketing of the Australian film Crocodile Dundee, and Australian film director Mr Bruce Beresford will be a director.

The company expects to produce five films by the end of 1988 with production budgets ranging between A$5m (US$ 3.32m) and A$10m. It will build a studio north of Surfers Paradise, in Queensland. The state government will help finance the studio.

The issue of shares will be made at 50 cents each. Of the total issued capital of 110m shares, 35 per cent will be offered to the public, 10 per cent reserved for an Australian unit of New Zealand's Chase Corporation and 5 per cent reserved for a Chase associate, Jonray Holdings.

The remaining shares will be held 46.9 per cent by De Laurentiis Entertainment Group, the US parent, and 3.1 per cent by a private company linked to local senior management.

Kuwaiti bank 10% ahead

NATIONAL BANK of Kuwait (NBK), Kuwait's largest bank in terms of assets, has reported a 10.4 per cent rise in net profits last year to KD 25.4m ($89.6m), a result which it said showed it had been able to shrug off the Gulf recession, *Reuter reports from Kuwait.*

The bank said a rise in assets was in line with its strategy of selective growth, diversification abroad and increased emphasis on non-interest income. Assets grew to KD 3.03bn at end-1986 from KD 2.59bn.

It attributed the improved earnings to its "steady global diversification strategy." NBK has branches in New York, London and Singapore, banking subsidiaries in Paris and Bahrain, and wholly-owned investment management companies in Geneva and London.

International operations accounted for 48 per cent of total lending and a rising share of net profit. The bank gave no breakdown.

Total loans, overdrafts and discounts, net of provisions, increased to KD 1.29bn from KD 1.26bn.

Tung completes restructuring

THE TUNG shipping group yesterday completed restructuring of its US$2.8bn debt and took delivery of two container ships from Japanese shipyards, agencies report from Hong Kong.

After the restructuring, Tung will own and operate a fleet of 75 vessels, including 31 containers under Orient Overseas Holdings, the group's publicly quoted arm.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Japan eases rules on domestic bond issues

BY IAN RODGER IN TOKYO

THE NUMBER of Japanese companies permitted to issue unsecured bonds in the domestic market is to more than double in April.

The move could cause a significant increase in issuing activity in the moribund domestic corporate bond market and a corresponding reduction in activity by Japanese corporate issuers in the Eurobond markets.

The Ministry of Finance confirmed yesterday that the number of companies allowed to issue straight unsecured bonds will rise from the current 70 to approximately 170, while the number having the right to issue convertible bonds will rise from the current 180 to about 330.

The MoF is also relaxing some of the requirements that companies have to meet to issue unsecured bonds. At the moment, for example, they must have minimum net assets of Y110bn ($720m), as well as a certain level of profitability in order to be allowed to issue straight bonds. This will be reduced to Y55bn. Alternatively, companies can qualify by obtaining an AA credit rating from one of the established rating agencies or by showing a combination of an A rating and net assets of at least Y55bn.

Companies which fail to meet the minimum net worth ratio may also qualify if they have net assets of at least £110bn and meet other criteria. This provision is intended to open the way for trading companies and retailers, which have relatively low net worth ratios, to issue unsecured bonds.

To issue convertible bonds, companies will need net assets of at least Y20bn (now Y33bn) or have an A rating. Those with a BBB rating plus net assets of at least Y55bn will also qualify.

This latest liberalisation of the regulations in the corporate bond market, which is expected to be announced formally within a few days, is designed to stimulate a recovery in activity. The total amount raised in corporate bond issues in Japan declined from Y1,500bn in 1975 to only Y875bn in 1985.

Securities dealers and corporate treasurers have been pressing the Government to remove the barriers to a more efficient domestic market, but there has been strong opposition from the big banks.

The banks resist any move that would encourage their customers to issue securities rather than take out loans. This is because banks in Japan are not allowed to participate in the securities business. Some banks, moreover, do a profitable business in managing the collateral aspects of bond issues, and are unwilling to give this without getting something in return.

The next big step in opening up the bond market would be to allow shelf registration. A study group on this subject was set up by the securities industry late last year. According to the securities industry, amendments to existing securities legislation would be required before shelf registrations could be used, and that could take a year or two.

● Discussions between the Ministry of Finance and leading Japanese banks are under way aimed at allowing the commercial and regional banks to issue convertible bonds. The idea is to provide these banks, some of which have weak balance sheets, with a means to improve their capital adequacy ratios.

The long-term credit banks, which alone among Japanese banks are allowed to raise capital through debenture issues, oppose the idea. They fear that it will lead to the commercial banks' issuing their own debentures, and thereby competing more closely with the long-term institutions for funds.

MoF officials disagreed with a newspaper report yesterday that the new bank convertible issues might be allowed as early as this spring. They said it would take longer to obtain agreement among all categories of banks.

BankAmerica to raise $1bn

BY WILLIAM HALL IN NEW YORK

PLANS TO raise $1bn of new capital have been announced by BankAmerica Corporation, the loss-making West Coast banking giant which is trying to defeat an unwelcome takeover bid from First Interstate.

The San Francisco-based group has filed a shelf registration statement with the US Securities and Exchange Commision covering $1bn of unspecified securities.

The company did not reveal the type of securities it planned to issue bu said that they could include subordinated debt, prefered stock and warrants to purchase up to 10m common shares. The securities may be offered publicly through Salomon Brothers or one or more underwriters.

The shelf registration is regarded as a key element in the group's plans to defeat the unwelcome takeover bid from First Interstate.

Last week, BankAmerica announced a 1986 net loss of $518m and revealed that common stockholders' equity had fallen by 13 per cent to $3.3bn last year. The group urgently needs an injection of new capital but, given the weakness in its share price — which slipped by $¼ to $14¼ yesterday — there has been considerable scepticism about the group's ability to raise new capital.

Although the company has denied plans to sel la stake to a Japanese financial institution, many Wall Street analysts believe that this is one of the few avenues available if the company wants to raise a substantial amount of new capital.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on January 27

US DOLLAR STRAIGHTS / OTHER STRAIGHTS / FLOATING RATE NOTES / CONVERTIBLE BONDS / DEUTSCHE MARK STRAIGHTS / SWISS FRANC STRAIGHTS / YEN STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Eurodollar market remains becalmed

By Alexander Nicoll

THE EURODOLLAR bond market remained becalmed yesterday amid persistent uncertainty on the currency markets and as it awaited details, due today, of the US Treasury refunding. The primary market continued to see scattered issues in other currencies.

In the secondary market, Eurodollar straight bond prices edged higher in quiet business.

The sole new dollar straight issue was from Itoman, a Japanese general trading company, which raised $80m in bonds carrying equity warrants. Carrying the guarantee of Sumitomo Bank, the five-year bonds have an indicated coupon of 3¼ per cent and par pricing. It was led by Daiwa Europe and was quoted well above issue price.

With the Euroyen sector remaining healthy, Daiwa Europe also led a Y20bn issue for the Council of Europe, divided equally between five- and seven-year tranches. The

INTERNATIONAL BONDS

101¼ per cent with a 5 per cent coupon and the longer at 101¾ with a 5¼ per cent coupon. Daiwa quoted the five-year issue at discounts less than the total fees, and the seven-year at the fees.

There was a flurry of issuing activity in Switzerland, even though the market has shown little reaction to last week's cut in the discount rate. Chubu Electric Power, based in Nagoya, made a SFr 200m issue led by Union Bank of Switzerland. The 10-year deal has a 4¼ per cent coupon and price of 99¾.

Credit Suisse brought a SFr 150m issue for Electricite de France, also for 10 years with a 4¼ per cent coupon and price of 100.25. The issue was considered tightly priced.

Goldman Sachs Finanz led the US firm's first issue in Switzerland, a SFr 108m issue for Standard Oil, a subsidiary of British Petroleum, to be swapped into floating-rate dollars. The 13½-year issue was given a 4¼ per cent coupon and par pricing. The terms were considered fair and the issue traded within its fees.

Swiss bond prices were slightly lower in quite active trading, with currency uncertainties overhanging the market and some doubt about investor interest at recent low coupon levels. Megan Finance's SFr 80m issue ended its first day's trading at 99¼ compared with a par issue price.

The steady flow of deals in Australian dollars continued with a A$50m issue for Bergen Bank, led by Merrill Lynch Capital Markets. The three-year issue was assigned a 15 per cent coupon, the highest among recent issues, iwth a price of 101¼, and was quoted at a discount equal to its fees.

Chrysler Financial Corporation made its first Euro-issue in guilders, a Fl 100m five-year deal led by Amro Bank. It was priced at par with a 6¼ per cent coupon.

In D-Marks, bond prices were as much as ½ point lower in quiet trading, with no lead coming from New York and the currency market putting a damper on business.

High tech fund from Citicorp

By Andrew Baxter

CITICORP INVESTMENT Management yesterday announced the launch of Cititech, a mutual fund that will invest in shares in the long-neglected sector of small or rapidly growing US high technology companies.

The open-ended, Jersey-based fund is aimed at institutions and wealthy individuals worldwide, and expects eventually to have between $50m and $100m to invest. It will concentrate on oppertimities among 1,200 publicly quoted companies with a market capitalisation of $15m to $500m, though it may also invest up to 10 per cent of its assets in private concerns which may soon be ready to go public.

US technology stocks have been under a cloud for the past three years, largely missing out on Wall Street's long bull market. Cititech's fund managers attribute the underperformance to exaggerated expectations on the part of investors, and to disappointing earnings from many companies.

The dollar-based fund, for which the minimum initial investment is $25,000, will be quoted on the London Stock Exchange.

Sterling paper for C. H. Beazer

By Our Euromarkets Staff

C. H. BEAZER, the UK building group, has appointed three dealers for a £100m sterling commercial paper programme running concurrently with a previously announced multi-option facility which was signed yesterday.

The dealers are County NatWest Capital Markets, Morgan Grenfell and S. G. Warburg.

Clare Pearson on the latest technique for helping slow-moving deals

Public repackaging for Denmark

A HANDY means of preventing gluts of paper in one corner of the Eurobond market is to repackage portions of issues for sale to investors in another corner.

The latest example came yesterday when $200m of a $1bn two-year fixed-rate for Denmark was bought by Bankers Trust International and resold as a floating-rate note. The deal, called Trust Obligation Participating Securities (Tops) was issued through a special purpose vehicle. The original Denmark issue, led by Shearson Lehman Brothers, had proved difficult to sell when it was launched in November.

Surgery of this sort goes on behind the scenes all the time in the secondary market, but public repackagings are rarer and more controversial.

Repackagings enable the lead manager to add to its book-running total in the closely watched market league tables without creating any new debt. Additionally, since the primary market tends to resist issues by special vehicle companies—through which the swap from one kind of interest payment to another is channelled — there is always a strong possibility that the new instrument will not trade actively.

If investors are now sophisticated enough to devise repackagings to suit themselves through such techniques as asset-swapping, the argument goes, there is little reason to sell ready-made repackaged bonds in the primary market.

In practice, the scope for publicly issued repackaged bonds is necessarily strictly limited. Only large, good quality bonds—such as the $4bn floating-rate note issued last year by the United Kingdom, which has been partially swapped into fixed-rate bonds—can be used, for only they offer good enough chances of liquidity.

Dealers thought that yesterday's issue had at least some of the ingredients of success. The deal is large and provides a $\frac{1}{16}$ percentage point margin over three-month London interbank offered rate (Libor)—attractive by comparison with other short-dated instruments such as floating-rate certificates of deposit.

Little volatility

The main drawback is that, since its life is less than two years, it is unlikely to provide much price volatility. "It would make rather boring trading," said one dealer.

But overall, the issue seemed to be working yesterday. It was quoted close to its par price at around 99.98 bid. It won further approval because it injected some life into the otherwise somnolent FRN new issues market: no other non-mortgage backed FRN has yet been launched this year.

Bankers Trust's was the second new issue created out of an outstanding FRN since Christmas. An earlier attempt by Morgan Stanley on December 31 to split the income and principal on $300m of the UK FRN, and to sell them separately, was less well received by the market.

Morgan Stanley was in fact sticking its neck out when it launched the bond, since nobody had previously carried out such a transformation of an FRN.

By making use of a put option on the underlying bond in 1991, Morgan Stanley created a zero-coupon tranche from the principal. From the interest income stream, it created a floating-rate tranche which would have no redemption value at maturity.

The issue was only partly sold, although dealers felt its structure was not without attractions. The floating-rate tranche in particular looked like a useful hedge for any investor who was bearish on interest rates, since he could be certain that its value would rise if interest rates rose.

But even Morgan Stanley admitted that the deal "didn't create much investor interest" and many underwriters seem to have grasped the opportunity they were given at launch not to receive their allotments of bonds.

FRN specialists have been trying hard in recent weeks to find a floor for the tumbling perpetual FRN market by repackaging the bonds as issues with fixed maturities. This involves tacking a companion zero-coupon bond onto the FRN, which ensures repayment of principal.

Yet attemtps to repackage perpetuals as new issues have met with little success so far. Most investors, dealers say, are reluctant to accept their losses on the perpetual that the repackaging involves. Many apparently still hope that the conventional perpetual market will recover of its own accord.

Income stream

The repackaging can be achieved when a perpetual FRN falls to a discount to issue price deep enough to enable a zero-coupon bond to be added. The investor then receives the floating-rate income stream from the perpetual and would eventually redeem the zero-coupon bond at its par value.

Yet this is a procedure that investors, if they are so inclined, are quite capableo f carrying out for themselves.

The need to get rid of unwanted long positions, combined with the ingenuity of swap specialists, implies that repackaging must be on the increase in the secondary Eurobond market.

However, judging by the reserved response to even the best quality issues, it does not seem to be the solution to a thin new issues market.

Gianni Versace to seek listing on Milan bourse

BY ALAN FRIEDMAN IN MILAN

GIANNI VERSACE, one of Italy's leading fashion designers, is planning to bring his company to the Milan stock market.

The Versace business, which includes design, manufacturing and an international network of 112 franchised boutiques, last year made a pre-tax profit of L33bn ($25.5m) on turnover of L430bn.

Although the Versace name is not likely to be floated until next year, the plan to bring the company to the market reflects a growing interest on the part of Italy's fashion industry in raising equity to finance international growth.

The interest has been further stimulated by the recent partnership between Mr Carlo De Benedetti and Yves Saint Laurent, in which Mr De Benedetti bought 25 per cent of the French fashion house and then proceeded to join Saint Laurent in a takeover of Charles of the Ritz.

Mr Santo Versace, brother of the Calabria-born designer and his business director, said in Milan yesterday that Versace had received numerous enquiries from US and Japanese investors wishing to buy a stake in the 100 per cent privately-owned company.

Mr Versace said that Peat Marwick and Mitchell is currently at work on drawing up a consolidated balance sheet for the company, a prerequisite to seeking the authorisation of Consob, the stock market authority, for a listing.

Spanish motorway group in record share flotation

BY DAVID WHITE IN MADRID

ON SPANISH television, a plausible young man is selling what he calls "bits of motorway." The advertisement is not, it turns out, for a new kind of time-share deal but for the biggest stock flotation yet by a new company on the Spanish exchanges.

The Pta 43.76bn ($339m) offer of shares in Autopistas Concesionaria Espanola (Acesa), which operates Spain's longest-established and busiest toll motorways, opens in Madrid and Barcelona today and is already oversubscribed.

Almost 58 per cent of the company's stock will be distributed on a pro rata basis for requests in excess of Pta 1m.

The controlling stake in Acesa has been held since 1982 by the semi-state Deposit Guarantee Fund, which acquired it as part of a rescue operation for Bankunion, a troubled industrial bank. Bankunion's new owners, Banco Hispano Americano, refused to take on its motorway holdings.

Acesa, which operates the motorways of Catalonia, has, however, continued to prove the most profitable of Spain's highway concessions, which have mostly been snowed under by borrowings.

Its pre-tax earnings are estimated to have doubled last year to Pta 4.27bn on turnover, up by 14 per cent to Pta 19.2bn, and are forecast at Pta 6.33bn for this year.

The shares are being offered in packages of four at Pta 2,830, or 141.5 per cent of their nominal value.

UK COMPANY NEWS

Racal pleases City with 8% rise

BY DAVID THOMAS

Racal yesterday pleased the City with an interim pre-tax profits up 8.4 per cent at £25.2m and announced the acquisition of a West German electronic security company.

Its results for the six months to October 10 were slightly above market expectations and its shares closed up 19p at 218p.

Racal paid Hormann, the parent company, DM 12.5m (£4.49m) for Munich based Hormann Sicherheitstechnik. The company has a turnover of DM 20m and regional facilities in five other German locations. It employs more than 130 staff.

Mr David Dring, a Racal-Chubb director, said: "We expect this new member of Racal-Chubb to play an important role in our expansion plans for our European security business."

Racal's turnover for the half-year was up 4.5 per cent to £639.6m (£612.2m).

The board said it expected good second-half profits and satisfactory full year results.

Sir Ernest Harrison, chairman of Racal

The group was beginning another period of sustained growth, it added.

Racal's improved figures follow a drop in pre-tax profits for the year 1985-86, the first in 31 years. The board declared an interim dividend of 0.8p, up 5 per cent over last year.

Racal's data communications business showed the biggest improvement, with profits for the half-year of £15.7m (£1.8m) on sales of £146.5m (£134.1m). This was due to cost cutting in the US, the company said.

Telecommunications moved to a profit of £97,000 on sales of £31.1m, compared with a loss of £7.6m on sales of £15.6m, thanks to the success of Racal's Vodafone cellular telephone subsidiary. Vodafone's operating profits are forecast to be about £10m this year, and £34m and £57m in the next two financial years.

Radio communications made a loss of £3.1m (£7.8m profit) on sales of £51.4m (£66.6m). The company blamed this on the impact of the low oil price on the purchasing power of many customer countries. Full year results for this division would be much lower than last year, said directors, but better results were expected next year.

The low oil price, plus the downturn in the shipping industry, also affected the marine and energy businesses, which reported a loss of £3m (profit of £3.5m) on sales of £61.1m (£69.1m).

Racal said marine and energy would incur trading losses in the full year, but action taken to cut costs would ensure an improvement next year. Closure costs for these businesses accounted for £4m extraordinary expenditure.

The trading profit for the first half was up 7.6 per cent at £36.6m (£34m).

After interest of £11.4m (£10.8m), and taxation of £8.8m (£8.1m), profits were £16.3m (£15.1m).

Racal's security business reported £12.1m profit (£11.6m) on sales of £204.4m (£181.3m). Defence radar and avionics reported profits of £11.7m (£11.1m) on sales of £57.9m (£63.4m).

See Lex

Doubled pay for ANH director

THE SALARY of the highest paid director at Associated Newspapers Holdings (ANH) has nearly doubled over the past year.

According to the annual report and accounts for the year to the end of September the highest paid director of the company which publishes the Daily Mail was £393,430. This compared with £201,671 in 1985.

The group managing director is Mr R. M. Shields who during the financial year also became deputy chairman of the company's subsidiary Associated Newspaper Group.

The chairman, Lord Rothermere, was paid £171,586 compared with £157,116 in 1985.

One other director of Associated was paid over £225,000 but not exceeding £230,000 and one earned between £150,000 and £155,000.

MERGERS CLEARED — The proposed acquisition by J. Bibby Science Products of W. G. Flaig and Sons will not be referred to the Monopolies and Mergers Commission, the Secretary of State for Trade and Industry has decided.

Bremner share options could affect EGM outcome

BY NIKKI TAIT

Bremner, the controversial property group headed by Mr Jim Rowland-Jones, has reminded holders of the 880,000 loan stock units, of the option to convert, which must be lodged by the end of February.

According to the notice, at last week's closing prices, stockholders would see a 10 per cent increase in the value of their holding, but would have suffered an estimated reduction of 29.7 per cent in income during 1986-87.

With full conversion, shares representing another 9 per cent of Bremner's equity will come into play. This could be significant at the EGM called for March 17, when City & Westminster Financial, the corporate finance house with which Bremner planned to merge, is attempting to remove Mr Rowland-Jones and two other directors from the board. In their place, it is seeking to appoint Mr Andrew Greystoke, who heads CWF and four associates.

Murray Smaller Markets Trust hoisted net asset value per share to 417.5p at the end of November 1986, against 253p a year earlier.

After-tax revenue for the six months to November 30 rose from £404,283 to £736,170 and stated earnings per 25p ordinary and "B" ordinary share were 2.62p (1.42p) or 2.59p (1.41p) fully diluted.

An interim dividend of 0.9p (0.8p) has been paid and a final of not less than 2p (1.9p) is now forecast. A one-for-one scrip issue is also proposed.

BOARD MEETINGS

TODAY

Interims—BCE Holdings, Cray Electronics, Harvey and Thompson, Mainmet, W. H. Smith.

Finals—Camford Engineering, Crown Television Products, Spectrum.

FUTURE DATES

Interims—	
Clogau Gold Mines	Jan 30
De Brett (Andre)	Jan 30
FII Group	Feb 23
Globe Investment Trust	Jan 30
Finals—	
Omnitech	Jan 30
Sharpe and Fisher	Mar 12

Coopers reply to BTR attack

By Martin Dickson

Coopers and Lybrand said yesterday that it "refutes wholly and completely" an attack launched by BTR on the accountancy firm on Monday.

The row involves a report on BTR drawn up by Coopers for Pilkington Brothers during BTR's recent bid for the glass manufacturer.

BTR, strongly criticising Coopers, said the report contained substantial inaccuracies. Coopers yesterday replied that in view of the seriousness and damaging nature of the allegations, it was seeking legal advice.

FIH gains control

Ferguson Industrial (FIH), together with associates, is now interested in 50.6 per cent of Berisfords, the ribbon, labels and trimmings group for which it made a £9m cash and shares bid last week. FIH made its offer having already secured irrevocable acceptances from holders of 41.5 per cent, and owned a further 4.2 per cent itself. The remaining shares were picked up by FIH's advisors, Arbuthnot Latham, immediately after the offer was announced.

James Buchan on General Cinema's buy into Cadbury Schweppes

The softly, softly approach

ON MONDAY Mr Richard Smith, the chairman of General Cinema, of Chestnut Hill, Massachusetts, sent a letter to the board of Cadbury Schweppes saying he had bought 8.3 per cent of the UK soft drinks and confectionery company.

The low-key style was well in character for Mr Smith, 62, a shy Bostonian who inherited 50 drive-in cinemas at his father's unexpected death in 1961 and has turned them into one of the most profitable, and enigmatic, small business empires in the US.

Together with his sister, Mr Smith still owns 30 per cent of the $1.6bn company.

UK investors may be startled by the diversity of businesses that make up General Cinema's $998m (£653m) in revenues and $90m in net earnings (from continuing operations).

Once known as General Drive-In, the company owns the largest US cinema chain with about 1,300 screens and the largest independent Pepsi-Cola bottling operation, and enjoys dividend income of about $50m a year from equity investments in RJR Nabisco, the tobacco and food group, and Carter Hawley Hale, the department store company.

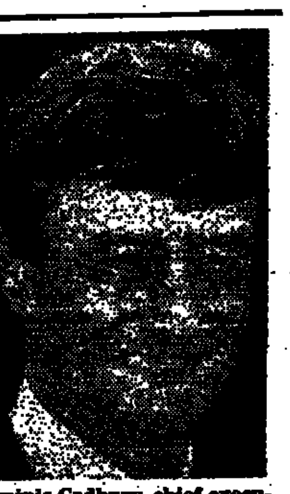
In its time, General Cinema has diverted its healthy cash flow in and out of soft drink making, movie production, broadcasting and furniture.

Wall Street sees not a ragbag of businesses but an able management, embodied by Mr Smith, whose flexible and tight-fisted approach to investment "in consumer-related businesses" has produced post-tax returns on equity near or above 20 per cent for as long as anybody can remember.

Except for a brief period in the mid-1970s, General Cinema has always stood at a premium to the stock market in terms of the ratio of its stock price to earnings.

The key to General Cinema's flexibility is its financial strength. By US standards, it is not heavily borrowed, with long-term debt of $300m against stockholders' equity of $494m, a revolving line of credit of $350m and free cash flow — net of dividends to be paid — of $50m. The easy financial circumstances are provided by the movie theatre business.

General Cinema sees its investment in Cadbury justified not only on the merit of Cadbury's strong brand franchises but as a complement to its own soft drink operations



Dominic Cadbury, chief executive of Cadbury Schweppes

Last year, the movie houses performed weakly (which General Cinema blames as much on poor product from Hollywood as home video-watching) but they are still formidable generators of cash.

The theatres, which are now mostly in suburban shopping centres, require little capital investment. People pay cash for tickets, so there are no receivables. The only inventory is popcorn.

It was the excess cash flow from the cinemas, now running at $50m a year pre-tax, which sent General Cinema out in 1968 to buy its first bottling franchise.

In those days, small bottling companies were selling on very low earnings multiples and Genera Cinema was able to consolidate them into a strong business riding Pepsi's growth in the late 1970s.

Revenue and earnings are still growing but expansion through acquisition is becoming much more expensive. "It's still a good business," says Ms Janine Dusossoit of General Cinema, "but you have to evaluate your return on investment that much more carefully."

Mr Smith has insisted that the stake in Cadbury, built up over four-five months at a net cost of £89.7m, is a "long-term investment," and has committed General Cinema not to make an offer for a year, barring any material change in the situation. But recent experience shows that these equity investments are far from passive:

● In 1982, General Cinema invested $160m to buy 18.7 per cent of Heublein, a wine and spirits company now owned by Grand Metropolitan of the UK, "because it had a number of well-known brands which were not being fully recognised and we thought we could be helpful," according to Ms Dusossoit.

Heublein turned down the gracious offer of help and board representation for General Cinema, and ran into the arms of R. J. Reynolds, then primarily a tobacco company.

General Cinema accepted common and preferred stock in Reynolds at a handsome paper profit, and then cashed the Reynolds common stock by issuing a debenture convertible into it. General Cinema receives about $20m a year in dividend income from what is now RJR Nabisco, but insists firmly that its Cadbury stake "is in no way connected" with the tobacco and food giant.

● In 1984, General Cinema invested $300m in Carter Hawley Hale, a large US retailer, to help its management thwart an unwanted offer from The Limited. General Cinema took seats on Carter Hawley's board.

When The Limited renewed its assault last year, General Cinema supported a restructuring plan which will leave it in effective control of Carter Hawley's most promising business, a set of specialty department stores including such names as Bergdorf Goodman, on New York's Fifth Avenue, and Neiman-Marcus.

"We felt specialty retailing had good growth potential over the next several years," General Cinema says.

General Cinema sees its investment in Cadbury justified not only on the merit of Cadbury's strong brand franchises but as a complement to General Cinema's own soft drink operations.

As well as Pepsi, General Cinema also bottles Dr Pepper and Sunkist, an orange drink which it developed itself and launched in 1977. However, General Cinema felt it lacked weight with just a single brand of its own and sold Sunkist to RJR Nabisco in 1984 for a $37m after-tax capital gain.

Last year, Cadbury acquired Canada Dry and Sunkist from RJR Nabisco for $230m and has taken a 30 per cent stake in the Dr Pepper company.

Cadbury is still a long way behind the cola giants, but it is a respectable third in the US market.

All-round progress behind recovery at Dale Electric

FOLLOWING A sharp decline into losses in the second half of its last financial year, Dale Electric International, power systems manufacturer, picked up in the six months to October 26 1986.

Pre-tax profits for the period were up 14 per cent from £471,000 to £539,000, on turnover also ahead 14 per cent at £19.69m (£17.32m). The company said that second half profits were unlikely to meet the same levels as the first, but the year as a whole should show an improvement.

For the year ended April 27 1986, the company incurred a loss before tax of £960,000 (£544,000 profit) as a result of operating problems at Dale GB, a generator set manufacturer, and at its Thai subsidiary. But at the annual meeting in October, the company reported that these two loss-makers had returned to profit and overall results were above-budget for the first quarter.

These activities were now making "meaningful" profits, the company said yesterday.

With interim earnings per 10p share higher at 3.38p (2.56p), the net interim dividend is maintained at 1.5p—last year's final was halved to 1.5p.

At the trading level, first-half profits increased 42 per cent to £1.33m (£935,000), before higher interest charges of £674,000 (£574,000) and share of associates losses of £118,000 (£110,000 profits).

Tax took a lower £85,000 (£130,000) and there were extraordinary charges of £60,000 (£46,000) associated with the rationalisation at Dale GB. Last time, there was also a minority debit of £11,000.

Dale reported yesterday that all group companies did particularly well. However, the two associated companies, in Mexico and Nigeria, hampered by their respective debt crisis, badly failed to fulfil expectations and the group shouldered its share of losses. The Mexican offshoot was expected to show an improvement in 1987.

Erskine Systems had its best ever period, although the forward order book was now at a low ebb. In order to strengthen Erskine's product range, Savage Power, a maker of uninterruptible power supplies for micro-computers, was purchased in December.

Dale's two French companies, Impex and Elaul, gave strong performances, but to consolidate its position in emergency lighting units in France, the *group has agreed to purchase* a third company, Ratec.

Markheath slips into red by £348,000 halfway

BY JANICE WARMAN

Markheath Securities, north London property developer, has slipped back into the red at the halfway stage with a £348,000 pre-tax loss after returning to profit for the 15 months to March 1986.

But Mr Paul Bobroff, chairman, pointed out that the company very rarely made an appreciable amount in the first half of the year. "Developments are usually completed in the autumn and most houses are sold in the last half of the calendar year."

"We are happy with the way trading has gone and is going for this year," he said. "The group's earnings and asset base should grow significantly during the current year."

Markheath has reduced its interim loss for the six months to September 30 by 10 per cent from last time's £387,000. The company has switched back to a 12-month accounting period from a single 15-month period.

Turnover quadrupled from £252,000 to £1.06m and mainly comprised the sale of the last houses at the Allum Park Estate, Elstree.

Rental income of £231,000 (£102,000) came principally from the group's investment properties at NCR House, Finchley and High Road, Tottenham.

After a tax credit of £122,000 (£159,000), the loss per share stood at 0.74p (0.9p). Directors declared an interim dividend of 0.8p per share, up from 0.75p for the 15-month period in 1986.

The group's major development, the South Herts Office Campus, should be completed on target this summer, and was largely pre-let, said Mr Bobroff. "This development is in an area which has seen a substantial increase in rental level and development activity in recent months."

Rental income from Markheath's industrial property investment in Enfield was expected to increase from £550,000 to more than £700,000 per annum.

More O'Ferrall expands

More O'Ferrall, the outdoor advertising group, is expanding its Irish operations with two acquisitions for a total of £406,000 (£387,000). Its Adshel subsidiary—which sells advertising space on bus shelters—has also been given the concession for Belfast.

The larger acquisition is Multimedia which has the concessions for Dublin, Cork and Shannon airports plus other sports centre advertising. More is paying I£130,000 immediately and the remaining I£200,000 dependant on performance over the next four years. The second acquisition, for I£76,000, is a roadside contractor Display Sign Services.

More O'Ferrall also announced yesterday that it will submit an offer for the British Transport Advertising businesses.

Flogas surges to I£1.36m

Flogas, importer and distributor of liquefied petroleum gas (LPG), increased its profits before tax from I£658,000 to I£1.36m (£1.3m) in the six months ended November 1986.

Earnings worked through at 6.71p (3.4p) per 10p share and the interim dividend is being stepped up by 50 per cent to 1.908p net.

During the half year there were increased sales volumes in both cylinder and bulk markets. However, as a result of reduced selling prices to customers made possible by lower LPG prices group turnover for the period showed a reduction from £8.86m to £7.61m.

The directors said that while seasonal energy demand will impact on the business of the USM group they believed the prospects for the full year were good, with continued growth being achieved in all markets.

Half year tax accounted for £56,000 (£60,000) and left net profits at £1.31m, compared with a previous £598,000. Interim dividend payments will absorb £372,000 (£324,000).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
British Bloodstock int	2.5	Mar 13	2.5	—	8.8
Flogas ......int	†¶1.91	Mar 2	1.27	—	3.4
Dale Electric ......int	1.5	Apr 8	1.5	—	3
Microsystems	‡1.5	Mar 30	—	2.25	—
Markheath Secs ......int	0.8	Apr 1	0.75∥	—	2.68∥
Mercantile House ...int	4.25	Mar 11	4.25	—	14
Racal Electronics ...int	†0.81	Mar 9	0.77	—	3.03
Throgmorton Tst	6.85	Apr 2	5.6*	9.6	8.35

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Irish currency. ∥ Nine-month interim, 15-month final.

UK COMPANY NEWS

TI in £27m deal with Armco

BY NIKKI TAIT

TI Group, the engineering company, announced yesterday that it is expanding its specialised engineering interests with the purchase of the European small diameter tubing business of US steel group, Armco, for around £27m in cash.

The acquisition was seen in the City as a sensible move, providing a useful extension to existing businesses, and TI shares moved ahead strongly yesterday—11p higher at 548p.

The businesses being bought will be managed through a new Amsterdam-based company, TI Eurotube, although senior executives will be based in Genoa, Italy, the largest of the ten manufacturing centres.

TI Eurotube will give TI itself manufacturing capacity in brake and fuel lines for the European car industry, and also in tubular condensors, evaporators and shelving for refrigeration. In both industries its market share will be around 45 per cent. This complements the existing business of TI's UK-based subsidiary, Fulton TI, which sells 90 per cent of its output in the UK.

The new subsidiary will have sales of around £85m, manufacturing plants in Italy, Belgium, France, Sweden, Denmark, Spain and the UK, and will employ around 2,000 people. The UK interests are based at Letchworth, and produce sales of some £9m with a workforce of 300.

According to TI, the business being acquired has been consistently profitable and in 1985 made £4.4m before tax. Commented Mr Sid Taylor, the TI director who will become chief executive and deputy chairman of the new company, "The figure for 1986 will be slightly ahead of that." The bok value of the assets being acquired is £27m.

The seller, Armco, is the fifth largest steel maker in the US and has been hit by labour problems and falling profits recently. It has been looking to divest non-core activities.

TI, meanwhile, now under its new managing director and deputy chairman, Mr Christopher Lewinton, has also been undergoing reorganisation for years. Last week, it announced the sale of TI Raleigh, the bicycle manufacturer, for £18m, and at the end of 1986 disposed of small appliance businesses, Russell Hobbs and Tower Housewares, to Polly Peck for £12m.

Its specialised engineering division is seen as one of the promising growth areas, with interim profits to end-Jun up from £8.1m to £7.6m.

Delyn attempts to stifle bid speculation

DELYN PACKAGING, Caerphilly-based maker of plastic packaging and gift wrap, said yesterday that it knew of no reason for a sudden sharp rise in its share price.

The price fell back from 228p to 215p after the announcement but recovered later to 218p, a 12p advance on the day and a 27p rise since the beginning of the week.

At that price Delyn has a market value of £4.3m. In the half-year to last July, Delyn reported a pre-tax profit of £43,000 on sales of £2.7m.

Mr Paul Norman, an overseas-based investor, joined the Delyn board in November after buying the 29.7 per cent stake

Simon Engineering

Simon Engineering yesterday clarified a recent claim about the effects on its bonding facilities if Valuedale's management buy-in effort succeeded. It also made clear that it had not endorsed profit forecasts reproduced in its defence circular.

Simon shares fell 4p to 292p yesterday, compared with the 325p value claimed by Valuedale for its cash, ordinary and preference share offer, which closes tomorrow.

Avis Europe buys Portuguese arm

BY MIKE SMITH

Avis Europe, the car rental and leasing company, yesterday announced its first acquisition since joining the stock market two months ago.

It is buying two-thirds of Sovial, Portugal's largest car rental company, for £5.75m. Avis already owns the remaining third of the company.

Mr Alun Cathcart, Avis' managing director, said yesterday that car leasing in Portugal was relatively underdeveloped and strong growth was expected.

Avis was given the opportunity to make Sovial a wholly-owned subsidiary because of a reconstruction by Eminco, the industrial conglomerate which formerly controlled the company.

In the year ending February 28, Sovial is expected to have earnings of £1.83m on sales of £11.85m. Net assets at the end of last year were £2m.

Avis, which is paying for Sovial with Es 105m in cash and with two promissory notes for a total of Es 1.098 payable in June, said the acquisition would lead to an immediate increase in profitability and earnings per share.

Sovial, which already operates under the Avis name, has an average fleet of about 2,600 vehicles and a peak fleet of 3,300. It owns 67 per cent of Sovialma, Madeira's largest car rental group.

Avis recorded pre-tax profits of £25.46m on turnover of £197m in 1985-86. After the November flotation, its shares, which were offered at 250p, fell to 229p in mid-December but they have since recovered. Yesterday they gained 2.5p to end the day at 254.5p.

SUNSHINE PACIFIC of Hong Kong and its Australian associate, HDFI, have jointly acquired 1.45m shares in Aitken Hume taking their aggregate holdings to 9.5m shares (20.8 per cent). Both companies are part of the Lee Ming Tee Group, operating in international investment and financial services.

BCE advances by 37% to £0.34m

IN ITS first figures since joining the Unlisted Securities Market in October B.C.E. Holdings reported half year profits up by 37 per cent from £246,000 to £337,000. Mr David Fisher, chairmna said that the Bristol based maker of snooker and pool equipment was expected to meet its dividend and profit forecasts for the year.

Turnover in the six months to September 30 1986 fell from £4.65m to £4.28m, the result of an expected halt in the expansion of the Far East market for tables. Earnings per 5p share came out at 1.0p (0.71p) there is no interim dividend but a final of 0.6p is promised.

Mr Fisher added that the results confirmed the continuing strength of the group in all its activities. "The widespread acceptance of the game of billiards throughout the world and the continued capital investment in ne wventures makes the longer term prospects encouraging."

Manufacturing continued its profitable trends, he said, and distribution had been very satisfactory with exports to Europe continuing to expand. Amusement centres made a significant contribution to profitability and there were moves to expand activities on the site in central ristol.

ECC fails in Bryant bid as 47% accept

Bryant Holdings yesterday escaped with its independence as the hostile £187m takeover bid from English China Clays gained the support of only 46.9 per cent of the housebuilder's shares.

Mr Chris Bryant, Bryant's chairman, said that the narrow escape took a load off his shoulders. He was especially grateful for "excellent support from private shareholders."

It appeared last night that institutional shareholders had split relatively evenly in their support for the two sides. Some may have lightened their holdings by selling in the market in the hope of buying again at a lower price if the bid failed.

ECC is left with 29.9 per cent of Bryant's shares, which Keyes Properties, a joint venture with Schroders, its financial advisor, bought in the market during the bid.

Sir Alan Dalton, chairman of the Cornish-based clays-to-construction group, said last night: "ECC will now review its options but, in the meantime, as Bryan't major shareholder, will be taking a keen interest in the company's progress."

Bryant shares lost another 5p to 159p yesterday, compared with ECC's 180p cash offer and a share offer worth 190p. ECC shares added 5½p to 352½p. Some analysts had suggested that ECC's terms were too generous.

Bestwood/Ifico

Bestwood, financial and property services group headed by Mr Tony Cole, has purchased a further 34,500 shares in Industrial Finance and Investment Corporation, another financial services group, taking its interest to 1.58m shares or 9.5 per cent.

Throgmorton up 25%

Throgmorton Trust, which concentrates its interests over a wide range of UK and US smaller companies, reported that net assets at November 30 1986 had risen by 25 per cent from 327.9p to 410.2p.

A final dividend of 6.85p is proposed

Mercantile sees profits drop and plans legal action in Australia

Mercantile House Holdings, Britain's second largest money broking company, saw pre-tax profit fall from £32.7m to £27.1m on turnover up from £184.6m to £195.6m in the six months to October 31 1986. Analysts had expected Mercantile to turn in profits of about £26.5m.

At the same time, Mr John Barkshire, Mercantile's chairman, issued a statement on investigations in Australia into share dealings by its subsidiary, Alexanders Laing & Cruickshank.

Mr John Barkshire, chairman of Mercantile House

Mercantile, in which CrownX, a large Canadian insurance group, this month took a 14.9 per cent stake, reported that its wholesale broking and fund management divisions had both contributed higher profits.

Its investment banking division had shown a small loss compared with last time's profit because of adverse trading conditions in the UK government securities market and the higher overheads incurred in preparation for the changes in the London securities market.

However, there had been a substantial fall in the share of profit of related companies—down from £14.7m to £4.5m. In March 1986, Mercantile sold 82 per cent of its interest in Oppenheimer Financial Corporation, which contributed £31.6m profit to the total pre-tax profit of £75.4m for the year ended April 30, 1986.

Mercantile said that the conditions in the investment banking division, combined with quieter trading activity in the markets served by wholesale broking made it likely that the second half would produce lower profits.

After tax charges of £15.6m (£15.2m) earnings worked through at 13.61p (21.23p) undiluted and 12.49p (19.93p) fully diluted. The board declared an unchanged interim dividend of 4.25p.

AL & C stated that the National Companies and Securities Commission of Australia had made a declaration that a block of 13.9m shares in Humes, acquired on December 2, 1986, through May Mellor Laing & Cruickshank (AL & C's Melbourne associate), had been an unacceptable acquisition under the Companies (Acquisition of Shares) (Victoria) Code.

The Commission had made an application through the Australian courts seeking that an order be made for the shares to be vested in the Commission and sold.

The shares had been acquired for one of AL & C's clients at an average price of A$4.20 (£1.80). The statement said there had been a misunderstanding concerning the size of the order and the price at which it should have been executed. The client had not paid AL & C, which had therefore become owner of the shares of default.

AL & C said that it had announced on January 9 in accordance with section 39 of the Companies (Acquisition of Shares) (Victoria) Code that it had become the owner of the shares.

Despite its co-operation with the Commission, the company continued, it had been given no details of the reasons for the Commission's declaration.

AL & C said that it would challenge the Commission's declaration in the Australian courts as a matter of urgency and added that it had confidence that the declaration would be set aside and that there would be no vesting order.

The Commission had now released its reasons, which were being studied by Alac and its advisors. However, Mr Barkshire said that the company had no reason to alter the views expressed in its statement and the declaration would be vigorously contested.

The Commission's investigation was prompted by a surprise purchase of an 8 per cent stake in Humes, a Melbourne building materials manufacturer, which had effectively blocked a proposed reverse takeover by a family-owned Melbourne business, Smorgons, which had agreed to act as a white knight to prevent an all-paper bid from Unity-APA, the investment banking unit of APA Holdings and Unity Corporation.

See Lex

COMPANY NEWS IN BRIEF

WILLIAM SINCLAIR Holdings has bought Inside/Outside, importer of terracotta home and garden ware, for a maximum cash consideration of £300,000. The company said the purchase was a further step in developing into a major force in the garden leisure market and complemented the J. Arthur Bowers and Fyba Pot subsidiaries.

VICTAULIC COMPANY has acquired Valvestock for £1.4m. Valvestock is a distributor of industrial valves and designer of valve/actuator packages in the South of England. Victaulic was formed as an employee buy-out from the British Steel Corporation in April 1983. Profits before tax in the six months to June 30 1986 were £3m on turnover of £22m.

SPP, involved in the design and supply of fluid handling systems, has sold Europump Services to Europump Holdings, a new company largely controlled by existing senior management, for £150,000 cash. The consideration is equal to the net book value of the business. Europump Services, which trades in the distribution and installation of electro-submersible pumps, achieved a turnover of £1.9m last year.

The interest rate for this week's issue of local authority bonds is 10¼ per cent, up ¹⁄₁₆ of a percentage point from last week, and compares with 12¼ per cent a year ago.

Alice Rawsthorn looks at an estate agency bound for the USM

Picking out the Wood from trees

"IN MANY people's eyes we are seen as rather smart and expensive," said Mr Ian Homersham. "We do not think of ourselves like that, we see ourselves as catholic with a small 'c'."

To the majority of London house-buyers "catholic" is rather too eclectic a description for the Mayfair, Belgravia and Chelsea properties sold by John D. Wood and Co, the firm of estate agents of which Mr Homersham is joint chairman.

In recent years the smart, or catholic, London property market has boomed and John D. Wood and Co, like most of its competitors, has benefited from its buoyancy. The company is now in the throes of finalising plans for its flotation on the Unlisted Securities Market in late February.

The name John D. Wood has been associated with property since 1872 when John Daniel Wood began to sell country houses and estates from a Mayfair office. There are now two firms of estate agents bearing his name: John D. Wood, which is chiefly concerned with commercial property, and John D. Wood and Co, which was founded in 1983 when Mr Homersham and his fellow joint chairman, George Pope, bought the London residential practice.

Corporate activity in estate agency is more active than ever and John D. Wood & Co could not have chosen a more intriguing time to float

It is the latter firm which is joining the USM.

According to Mr Pope, the catalyst for the buy-out was the incompatibility of running a commercial and a residential estate agency.

"In the past 10 years the word marketing has come to life in London residential property," he said. "It was difficult for a commercial practice to appreciate the need for it."

When Mr Homersham and Mr Pope bought John D. Wood and Co in 1983, for about £450,000, the business comprised four offices. Since then advertising expenditure has been augmented and two new offices opened. Turnover and partnership profits have doubled, rising to £3m and £900,000 in the last financial year to April 30.

Last autumn the company acquired the country residential and agricultural practice of John D. Wood, for £500,000. It plans to build the two practices individually and to mould them into an integrated business.

Mr Homersham and Mr Pope will incorporate the business in late February and have decided to go public at the same time: partly to raise capital in order to offset the cost of incorporation and the borrowings incurred by expansion; and partly to extend share ownership among its employees. Thus the company will go public in a placing through Barings and Phillips and Drew, which will capitalise it at more than £10m.

Since 1983 John D. Wood and Co has benefited from the fertile combination of buoyant demand and booming property prices. Although the apparently effortless rise in property prices has, however, begun to slow down, Mr John Appleby, property analyst at Warburg Securities, points out that the price of upmarket London property, with which John D. Wood and Co is concerned, tends to be dictated by the strength of sterling and flow of new overseas buyers, rather than domestic factors.

Arguably the oil-price crisis and the weakness of the US dollar, combined with the waning of both City salaries and the influx of foreign finance houses into London after Big Bang should have depressed the "smart" property market. Yet demand for expensive London property is still relatively buoyant.

Meanwhile, corporate activity in the estate agency field is more active than ever. In the past year or so financial groups including Lloyds Bank, the Prudential Corporation, Hambros merchant bank and the Nationwide Building Society have embarked upon a series of acquisitions in order to build up estate agency networks. John D. Wood and Co could scarcely have chosen a more intriguing time to go public.

NOTICE OF REDEMPTION

To the Holders of

TRANS AUSTRIA GASLINE FINANCE COMPANY LIMITED

7½% Loan 1988, due January 15, 1988

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Trust Deed dated as of December 20, 1972, and condition 3(B) of the Terms and Conditions of the Loan, Trans Austria Gasline Finance Company Limited has elected to and shall redeem on March 5, 1987 (the "Redemption Date") all of its outstanding 7½% Loan 1988 (the "Bonds") at the redemption price of 100% of the principal amount thereof (the "Redemption Price") together with accrued interest thereon to the Redemption Date.

The Bonds shall become due and payable on the Redemption Date at the Redemption Price, plus accrued interest, which shall be paid in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, upon presentation and surrender of the Bonds together with all appurtenant interest coupons maturing after the Redemption Date at the option of the holder either (a) at the Corporate Trust Office of Morgan Guaranty Trust Company of New York, 30 West Broadway, New York, New York 10015, or (b) at the main offices of any of the following: Morgan Guaranty Trust Company of New York in Brussels, Frankfurt am Main, London and Paris; the main offices of Banque de Commerce et de Placements S.A. in Geneva and Zurich; and the main office of Kredietbank S.A. Luxembourgeoise in Luxembourg. Payments at the offices referred to in (b) above will be made by check drawn on a bank in New York City or by transfer to a dollar account maintained by the payee with a bank in New York City.

Coupons due prior to March 5, 1987 should be detached and collected in the usual manner.

The Bonds will no longer be outstanding after the Redemption Date and interest on the Bonds will cease to accrue from and after the Redemption Date and the coupons for such interest shall be void.

TRANS AUSTRIA GASLINE FINANCE COMPANY LIMITED
By: Morgan Guaranty Trust Company
OF NEW YORK, *Principal Paying Agent*

Dated: January 28, 1987

Under the Interest and Dividend Tax Compliance Act of 1983, we may be required to withhold 20% of any gross payments made within the United States to certain holders who fail to provide us with, and certify under penalties of perjury, a correct taxpayer identifying number (employer identification number or social security number, as appropriate) or an exemption certificate on or before the date the securities are presented for payment. Those holders who are required to provide their correct taxpayer identification number on Internal Revenue Service Form W-9 and who fail to do so may also be subject to a penalty of $50. Please, therefore, provide the appropriate certification when presenting your securities for payment.

Redemption Notice

City of Oslo (Norway)

9% Sinking Fund External Loan Bonds due March 1, 1988

NOTICE IS HEREBY GIVEN, pursuant to the Fiscal Agency Agreement dated as of March 1, 1976 under which the above described Bonds were issued, that the City of Oslo has elected to redeem on March 1, 1987, through the operation of the Sinking Fund, all of the Bonds outstanding at the Sinking Fund redemption price of 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption.

On March 1, 1987 there will become due and payable upon each Bond the said redemption price, together with interest accrued to the date fixed for redemption. Payment of the redemption price of the Bonds to be redeemed will be made in such coin or currency of the United States of America as at the time of payment is legal tender for the payment therein of public and private debts, upon presentation and surrender of said Bonds, with all coupons appertaining thereto maturing after the date fixed for redemption, at the **Municipal Processing Window, 5th Floor of Citibank, N.A., 111 Wall St., in the Borough of Manhattan, The City of New York** and subject to applicable laws and regulations, at the main offices of Citibank, N.A. in Amsterdam, Brussels, Frankfurt(Main), London, Milan and Paris, and Kredietbank, S.A. Luxembourgeoise in Luxembourg. Payment at the offices of Citibank, N.A. in Europe referred to above will be made by check drawn upon a bank in New York City or by a transfer to a dollar account maintained by the payee with a bank in New York City.

On and after the date fixed for redemption interest on said Bonds will cease to accrue. Coupons due March 1, 1987 should be detached from the Bonds and presented for payment in the usual manner.

For the CITY OF OSLO (NORWAY)
CITIBANK, N.A.
as Fiscal Agent

January 21, 1987

NOTICE

Withholding of 20% of gross redemption proceeds of any payment made within the United States may be required by the Interest and Dividend Tax Compliance Act of 1983 unless the Fiscal Agent has the correct taxpayer identification number (social security or employer identification number) or Exemption Certificate of the payee. Please furnish a properly completed Form W-9 or Exemption Certificate or equivalent when presenting your Securities.

UK COMPANY NEWS

Microsystems £7m deal as profits advance 82%

BY PHILIP COGGAN

Microsystems Group, the USM-quoted electronics company, yesterday announced an acquisition along with preliminary pre-tax profits up 82 per cent at £2.54m (£1.4m).

Dr Roger Harding, joint managing director, said that the year had started extremely well and the company was confident of further significant growth.

Agreement has been reached to purchase Analytical Instruments, a private company which manufactures a range of electronic products, including vehicle fleet management systems and explosive detection equipment. Microsystems is offering two ordinary shares and 39p in cash for every three AI shares, valuing AI at around £7.1m.

For the tyear ending October 31, 1986, AI's directors have estimated that pre-tax profits will be approximately £400,000. The previous year had seen a dip in profits to £76,000, following a pre-tax total of £600,000 in 1984.

Orders for Microsystems' electronic bus ticketing systems were ahead of budget last year and the company is now concentrating on developing overseas markets. In the rest of the group, profits at Callog, the company which supplies telephone cost management systems, sharply increased after the completion of the reorganisation plan. The Sherriff Plus Electronic Taximeter was introduced in April 1986 and sold well in the second half of the year.

Operating income for the year ended October 31 was £2.41m (£1.47m) on turnover 52 per cent higher at £11.45m (£7.55m). The interest position became positive during the year with the previous year's £72,000 charge being replaced by a £130,000 credit.

After tax of £999,000 (£589,000), earnings per share were up 76 per cent at 13.9p (7.9p). The final dividend is being set at 1.5p (nil), making 2.25p (nil) in total.

● comment

Although London's buses are nearly all signed up for Microsystem's bus tickets, the order books are overflowing. The group now wants to extend its range in the private sector market—one of the original reasons for buying AI with its vehicle fleet management system—and the purchase has the added bonus of a strong export market which Microsystems has neglected up till now. For those reasons the purchase price is not as high as it seems at first sight. Although the taximeter market is fairly mature and the telephone monitoring business still small, bus tickets should allow Microsystems to ride up to £3.7m pre-tax this year, given the scope for merger accounting in the consideration structure. That puts the shares at 238p on what seems a fairly rated prospective p/e of 15.

Giltrap lifts offer for Frank Gates

BY CLAY HARRIS

Giltrap Holdings yesterday increased its cash offer for Frank G. Gates to 140p, putting a £11.7m value on the London-based car dealer.

Gates was studying the new terms last night with its financial advisers, Shearson Lehman.

The New Zealand motor distributor unveiled its final offer shortly after Gates said that its net assets had been revalued at 167p per share. Gates shares bounded 20p ahead to 142p.

The valuation was intended to "demonstrate beyond all doubt the inadequacy of the (120p) offer," which Gates claimed in any case to have been firmly rejected by directors and family interests holding 60 per cent of its shares.

Samuel Montagus the merchant bank advising Giltrap, did not dispute the valuation yesterday but said: "Assets are worth what they earn." It suggested that the Gates board should keep in mind the interests of the company's outside shareholders.

Before yesterday's new offer, Giltrap had increased its interest in Gates to 16.5 per cent.

As an alternative to the cash terms, Giltrap is offering five-year loan notes guaranteed by Samuel Montagu and paying interest at six-month sterling Libor with a ceiling of 12 per cent.

British Bloodstock interim profit halved to £0.18m

Against a background of difficult market conditions, the **British Bloodstock Agency** reported halved pre-tax profits of £175,000 for the six months to September 30 1986 on turnover 3 per cent lower at £1.99m.

The company pointed out however, that the group's business tended to be highly seasonal with many of the important bloodstock sales taking place in the third quarter. First-half profits therefore normally formed only a small part of the year's results.

It was too early to make any firm prediction of the full year results, the company said. Market conditions had remained difficult, but the group had not only maintained, but increased its share of the market at the major European sales which take place in the third quarter.

The company attributed the lower interim profits to bloodstock market conditions, a reduction in insurance commissions and a fall in interest received.

In its last annual report, the company said that there had been a significant fall in prices at the top end of the international bloodstock market. This trend had continued throughout 1986.

After tax of £86,000 (£171,000) earnings per 25p share dropped from 5.3p to 2.6p. The interim dividend is however, maintained at 2.5p net—last year's total was 8.8p on £1.23m taxable profits.

FARNELL ELECTRONICS has purchased a one-third interest in Terrafix for £400,000 cash. Terrafix's technology in vehicle location systems design was expected to be compatible with Farnell's existing data communications instrumentation activities, Farnell said.

Zygal in £1.3m deal with Thorn EMI

Zygal Dynamics has agreed to sell the maintenance business of its wholly-owned subsidiary, Zygal Services, to Datasolve, an offshoot of Thorn EMI, for £1.3m.

The directors said yesterday that as a result of the sale the group would have a stronger balance sheet and, after elimination of bank borrowings, would place surplus funds on short-term deposit.

They added that the funds from the sale would provide the group with greater flexibility in operating its existing businesses and in taking advantage of opportunities to grow by acquisition.

In this regard they were currently examining a potential acquisition in the computer-based service area.

The sale of the maintenance business is subject to shareholder approval. There is the possibility of a higher consideration, plus commission payments, subject to a deduction of up to £150,000 in the event that certain maintenance contracts are not assigned or subcontracted to the purchaser.

Zygal Services provides field maintenance and workshop repair services principally to customers of the group. However, increased competition from large third party maintenance organisations was anticipated and while the Zygal maintenance business had in the past made a significant, though declining, contribution to group performance the directors believed it was now time to cease operating in this area.

In the year to March 1986 the maintenance business incurred a loss of £102,000 on a turnover of £886,000. However, in the six months to September 1986 profits of £41,000 were returned from a turnover of £439,000.

APPOINTMENTS

Finance post at Legal & General

LEGAL & GENERAL has appointed Mr Tony Hobson as general manager (finance) from June 1. He succeeds Mr Stewart Lyon, who retires at the end of May. Mr Hobson joined Legal & General seven months ago as head of group finance from The Sperry Corp. Mr Bill Abbott, manager (investment finance), will become group actuary.

★

Mr Michael Glover has joined the board of GROSVENOR VENTURE MANAGERS. He also becomes a director of Grosvenor Development Capital Management. Mr Glover has been a senior executive of Grosvenor Venture Managers since 1985.

★

As part of organisational changes at HOWDEN GROUP, Glasgow, Mr K. W. M. Johnsen becomes group chief executive, reporting to Mr J. D. H. Hume, who remains deputy chairman and group managing director. Mr R. N. S. Watson, formerly a senior financial manager with Britoil, joins the group as finance director from February 1.

★

MEPC has appointed Mr James L. Tuckey as deputy managing director. Mr Tuckey has been with MEPC since 1971 and a director since 1978.

★

STANDARD CHARTERED has made the following appointments from March 1: Mr Willie Hastie becomes general manager with responsibility for Africa; Mr Ray Williams, who has been an executive vice president of Union Bank, Standard Chartered's wholly-owned subsidiary in California, has been appointed general manager with responsibility for productivity and cost containment programmes. He is being seconded to Standard Chartered for two years. Dr Henry Fabian has been appointed director of management training and development; he was formerly a general manager of Standard Bank Investment Corp in Johannesburg.

★

NEDERLANDSCHE MIDDENSTANDSBANK London branch has appointed Mr John Smalley as treasurer.

★

RMC HOMECARE, retail superstore arm of the RMC Group, has appointed Mr R. C. (Bob) Harris as property director. He was property director with CP Holdings.

★

Mr Alan Emery, group operations director, Century Oils, is the new chairman of the CHEMICAL RECOVERY ASSOCIATION. He takes over from Mr David Holmes of Croda Chemicals.

★

THE MOSS ADVERTISING GROUP, Sheffield, has appointed Mr Ian Lauriston as head of finance. He was financial director with Buck and Hickman.

★

Dr Colin Wall has been appointed a director, RUGMAN & PARTNERS. He was previously with Wrightson Wood.

★

JMJ CONSTRUCTION GROUP has appointed Mr Mark Fernandes to the board of Markham Developments, and Markham Developments (Investments) property development and investment subsidiaries of the Group.

★

Mr Alain Choppy is the new managing director at SOCGEN LEASE. He replaces Mr Jean-Pierre Bartoli who has left to take up a new post in Paris. Mr Choppy has come to London from Jakarta where he spent three years developing the Segelease Indonesia equipment financing operations. The company is a wholly-owned subsidiary of the French Societe Generale Company.

Following the acquisition of the Alloa Printing and Publishing Co, WEST INDEPENDENT NEWSPAPERS has appointed Mr Ian C. Hay to the board as an executive director. In addition to his post of managing director of the Glasgow Guardian he will become commercial director of Guthrie Newspaper Group with specific responsibility for all revenue earning areas. Mr Philip Cohen has been appointed to the board as an executive director and in addition becomes managing director of Alloa Printing and Publishing Co.

★

MENVIER (ELECTRONIC ENGINEERS) has appointed Mr Angus Stone as technical director. He was chief engineer. Mr Roger Worrall becomes production director. He was production manager. Mr Martin Moir has been made sales director. He was sales and marketing manager. Mr Chris Parker has been promoted to marketing director from products marketing manager.

★

Dr David Kell has been appointed production director of JOHNNIE WALKER. He will succeed Mr David Adam, who is to retire in July. Mr Adam will take a part-time consultancy for The Distillers Company in the West of Scotland. Dr Kell joins Guinness Beverage Group from William Teacher and Sons where he was production director.

★

The re-constituted board of RICHARDS, LONGSTAFF (INSURANCE HOLDINGS) is as follows: Mr Simon Scrope, chairman; Mr Andrew Bremner, managing director; Mr Nicholas Lund, financial director; Mr Neil Balfour and Mr Michael Heathcoat-Amory, directors; to be directors at Richards Longstaff (Insurance): Mr Jeremy Coulter and Mr Colin Fellows; at Richards, Longstaff (Insurance) marine division: divisional director, Mr John Royner and associate director, Mr Ian Crampen; marketing services division: divisional director, Mr Richard Hawkins; UK division: associate directors, Miss Sara Keegan, Mr Ken Shelton and Mr David Taylor.

★

Mr C. John Brady has been elected a principal of McKINSEY & COMPANY, INC in the London office.

★

Mr Ron Watson has been appointed deputy chairman of HAMPTON TRUST. He was deputy managing director of Barclays Merchant Bank and is a director of Barclays Development Capital and National Freight Consortium.

★

Mr J. A. Donaldson, recently retired group treasurer of ICI, has been appointed an adviser to the board of SHIRE TRUST.

★

MANUFACTURERS HANOVER TRUST has promoted Mr P. Ian Campbell to vice president. He is in the legal department.

★

Mr Hugh F. J. Davies has been appointed a director of GLOBE INTERNATIONAL (UK).

NOTICE OF REDEMPTION

To the Holders of

VIACOM INTERNATIONAL INC.

U.S.$50,000,000

7¼% Convertible Subordinated Debentures Due 2000

NOTICE IS HEREBY GIVEN that, pursuant to the Indenture, dated as of July 1, 1985 (the "Indenture"), between Viacom International Inc. ("Viacom") and Morgan Guaranty Trust Company of New York, as Trustee, Viacom has called for redemption on February 27, 1987 (the "Redemption Date") all of its outstanding 7¼% Convertible Subordinated Debentures Due 2000 (the "Debentures"), at a redemption price of 105% of the principal amount thereof, together with accrued interest from July 11, 1986 to the Redemption Date in the amount of U.S.$227.57 for each U.S.$5,000 principal amount of Debentures, for a total redemption price of U.S.$5,477.57 for each U.S.$5,000 principal amount of Debentures. Such payment will become due and payable on the Redemption Date. After the Redemption Date, interest on the Debentures will cease to accrue.

The right to convert the Debentures into Common Stock of Viacom will terminate at the close of business on the Redemption Date. Debentures to be converted should be surrendered, together with all coupons maturing after the Redemption Date and accompanied by a duly signed and completed notice of conversion (including statements required to assure compliance with the limitations on share ownership by alien persons), substantially in the form provided on the reverse of the Debenture certificates, at the offices of the Conversion Agents specified at the end of this notice on or before the Redemption Date. (Registered Debentures surrendered for conversion additionally must be endorsed or accompanied by a written instrument of transfer in accordance with Section 1201 of the Indenture.)

The Debentures are presently convertible into Common Stock of Viacom at a conversion price of U.S.$27.50 per share. At such conversion price, the holder of U.S.$5,000 principal amount of Debentures would receive 181.82 shares of Common Stock of Viacom. No fractional shares of Common Stock will be issued upon conversion; instead a cash adjustment will be paid in respect thereof. No adjustment or payment in respect of accrued interest or dividends will be made upon conversion. The closing price of the Common Stock on January 15, 1987, as reported on the New York Stock Exchange composite tape, was U.S.$41⅝ per share.

Failure to deliver the Debentures for conversion on or before the Redemption Date will automatically result in redemption at a redemption price of U.S.$5,477.57 for each U.S.$5,000 principal amount of Debentures. Such payment will be made on and after the Redemption Date.

Debentures surrendered for redemption must have attached all coupons maturing after the Redemption Date and should be presented for payment at the offices of the Paying Agents specified at the end of this notice.

Viacom has entered into an agreement of merger, dated as of October 17, 1986 (the "Merger Agreement"), providing for the acquisition of Viacom in a leveraged buyout transaction by MCV Holdings, Inc., a newly formed Delaware corporation to be owned by certain members of senior management of Viacom and their financial advisors, Donaldson, Lufkin & Jenrette Securities Corporation, Drexel Burnham Lambert Incorporated and The First Boston Corporation, and The Equitable Life Assurance Society of the United States and certain other investors. The Merger Agreement provides that Viacom shareholders will receive for each share of Common Stock $37.00 in cash, a fraction of a share of exchangeable preferred stock of MCV Holdings, Inc. to have an expected market value on a fully-distributed basis of approximately $7.00 (such fraction to be determined shortly before the mailing to Viacom's shareholders of a proxy statement relating to the acquisition) and a fraction of a share of convertible preferred stock of MCV Holdings, Inc. Consummation of the merger is subject to certain conditions including Viacom shareholder approval, federal communications and other governmental regulatory approvals and the execution of definitive financing agreements. There can be no assurance that the merger will take place and the holders of Common Stock will receive the consideration to be paid in the merger. Additional information concerning the merger will be contained in the proxy statement relating to the acquisition that will be mailed to Viacom's shareholders.

PAYING AND CONVERSION AGENTS

Morgan Guaranty Trust Company of New York
Avenue des Arts 35
B-1040 Brussels
Belgium

Banque Generale du Luxembourg
14 rue Albringen
27 avenue Monterey
2951 Luxembourg

PAYING AGENTS (BEARER DEBENTURES ONLY) AND CONVERSION AGENTS

Morgan Guaranty Trust Company of New York
14 Place Vendome
Paris 75001
France

Swiss Bank Corporation
Aeschenvorstadt 1
CH-7002 Basle
Switzerland

Morgan Guaranty Trust Company of New York
Mainzer Landstrasse 46
D-6000 Frankfurt/Main
Federal Republic of Germany

PAYING AGENT (REGISTERED DEBENTURES ONLY) AND CONVERSION AGENT

Morgan Guaranty Trust Company of New York
Corporate Trust Department
30 West Broadway
New York, New York 10015
United States

PAYING AGENT

Morgan Guaranty Trust Company of New York
Morgan House
1 Angel Court
London EC2R 7AE
England

VIACOM INTERNATIONAL INC.

DATED: January 28, 1987

Any payment in lieu of fractional shares made within the United States to holders of bearer Debentures and any payment made upon redemption or conversion to holders of registered Debentures may be subject to reporting to the United States Internal Revenue Service ("IRS") and to backup withholding at the rate of 20% if payees not recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W-8, certifying under penalties of perjury that the payee is not a United States person, or an executed IRS Form W-9, certifying under penalties of perjury the payee's taxpayer identification number (employer identification number or social security number, as appropriate). Those holders who are required to provide their correct taxpayer identification number on IRS Form W-9 and who fail to do so may also be subject to a penalty of $50.00. Holders described above should therefore provide the appropriate certification when presenting Debentures for payment.

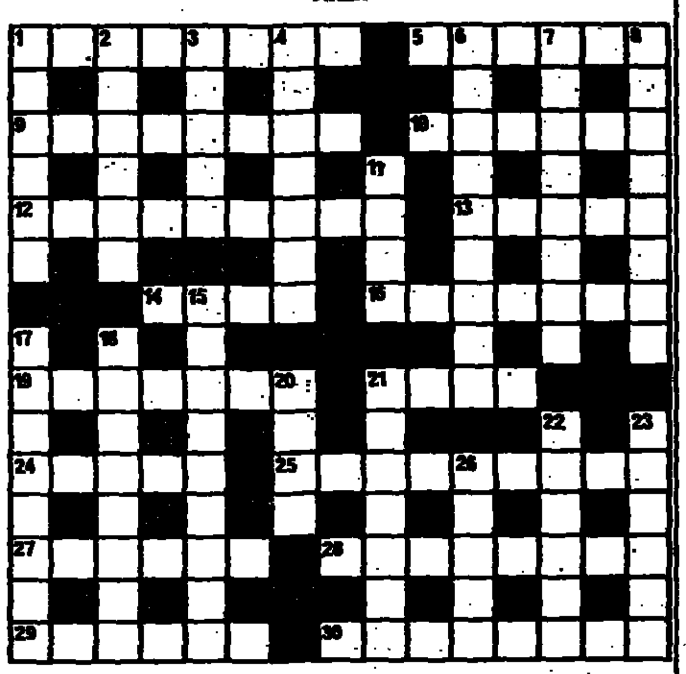
FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

INSURANCES

FT CROSSWORD PUZZLE No. 6,238

VIXEN



ACROSS

1 A red number? (8)
5 Fights a fool's receiving credit (6)
9 Make overtures to a very quiet swimmer (8)
10 Gossip involving a sober guy in romance (6)
12 Water for a mother pig (5, 4)
13 Neat copper about 51 making a bloomer (2-3)
14 Base given new name (4)
16 Bound for the man in charge (7)
19 Capacity to satisfy (7)
21 Hold back, but take a cautious look (4)
24 Appearing in public—it is quite proper (5)
25 Litter spoiled the crest, right? (9)
27 A line drawn on a chart is nothing to the legal profession (6)
28 Refuse to show a discerning person around an old vessel (8)
29 Picks up points after gale-damage (6)
30 Rush to pay the postage on notes (8)

DOWN

1 Forever at a dandy's throat (6)
2 The salesman remained for another match (6)
3 One learns from such pictures (5)
4 Lawsuit about classy sort of sale (7)
6 Claim home is totally transformed by a plant (9)
7 A beast before run (8)
8 People quite unconsciously lying (8)
11 Chaos in the canteen? (4)
15 Looks on exercise as a personal problem (3-6)
17 Produce notes about indifferent rating (8)
18 Need coat refashioned—or that's the story (8)
20 Try the river (4)
21 A number drink outside, which is a bad sign (7)
22 The car breaking down in Greece (6)
23 Lament of the first King George and the first lady (6)
26 Finding some other means to generate heat (5)

Solution to Puzzle No. 6,237

AUTHORISED UNIT TRUST & INSURANCES

Cannon Assurance Ltd
1 Olympic Way, Wembley HA9 0NB — 01-902 8876

2nd Series Life Accumulation				
Equity	352.2	372.7	-1.0	—
High Income	302.4	320.0	-0.4	—
Property	216.6	229.2	....	—
Managed	255.9	270.8	-0.6	—
Deposit	176.4	186.7	....	—
Gilt	179.9	190.4	-0.8	—
American	255.5	270.4	-1.3	—
International Money	199.4	211.0	-0.2	—
Index	109.8	116.2	-0.1	—
Far East	209.5	221.7	+0.5	—
Global	103.8	109.8	-0.5	—
European	109.6	116.0	-0.7	—
Japan	113.9	120.5	+0.6	—
Residential Property	96.7	102.3	—	—
2nd Series Pension Accumulation				
Equity	560.7	593.3	-1.7	—
High Income	359.7	380.6	-0.6	—
Property	304.1	321.8	....	—
Managed	370.0	391.5	-1.1	—
Deposit	261.9	277.1	—	—
Gilt	254.8	269.6	-0.1	—
American	401.0	424.3	-2.6	—
International Money	286.1	302.8	-0.3	—
Index	120.7	127.7	-0.2	—
Far East	231.5	245.0	+0.7	—
Global	106.3	112.5	-0.5	—
European	113.7	120.3	-1.0	—
Japan	119.1	126.0	+0.7	—
Residential Property	97.4	103.1	—	—
Other Funds				
Equity Units		75.39	-0.21	—
Property Units		22.87	—	—
Equity Bond/Exec	46.80	49.53	-0.14	—
Property Bond/Exec	30.90	32.70	—	—
Balanced Bond/Exec	36.01	38.11	-0.8	—
L&E SIF 1	119.0	126.0	-0.5	—
L&E SIF 2	77.5	82.0	—	—

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ — 031-225 1655

Ivory & Sime Bond	115.0	122.0	—	—
Risk & Reward Bond	145.0	151.0	—	—
Murray Johnstone Fd	135.0	143.0	+3.0	—
Money Market Fd	110.0	116.0	—	—
Investment Strategy Fd	98.0	104.0	—	—
Predator Fd	95.0	100.0	—	—
Ivory & Sime Pens Fd	119.0	125.0	—	—
Risk & Reward Pens Fd	127.0	134.0	—	—
Murray J'stone Pens Fd	128.0	135.0	—	—
Money Market Pens Fd	110.0	116.0	—	—
Inv Strategy Pens Fund	99.0	105.0	—	—
Predator Pen Fd	95.0	100.0	—	—

Devonshire Life—Contd.

Money	100.5	105.9	—	—
Pen Managed	129.2	136.1	-1.2	—
Pen World Growth	100.9	106.4	-1.2	—
Pen UK Equity	139.5	146.9	-2.0	—
Pen UK Small Cos	131.6	138.6	+0.8	—
Pen European	104.4	110.0	-1.9	—
Pen Far Eastern	211.5	222.7	-1.6	—
Pen Nth American	92.3	97.2	-1.1	—
Pen Fixed Interest	109.9	115.4	-0.6	—
Pen Index Linkd Gilts	100.7	106.1	-0.8	—
Pen Money	105.2	110.8	—	—

Eagle Star Insurance Co Ltd
Bath Road, Cheltenham GL53 7LQ — 0242 521311

Secure Fund	104.3	109.8	....	—
Blue Chip Fund	151.3	159.9	+0.9	—
Performance Fund	158.4	166.8	+0.7	—
Adventurous Fund	153.8	161.9	+0.3	—
Pensions Secure	95.5	100.6	—	—
Pensions Blue Chip	104.7	106.1	+0.9	—
Pensions Performance	107.6	107.8	+0.5	—
Pensions Adventurous	102.2	107.6	+0.3	—
Pensions With Profits	99.0	104.3	+0.7	—

Eagle Star Insur./Midland Assur.
1 Threadneedle St, London EC2 — 01-588 1212

Eagle/Mid. Units	173.4	179.7	+1.5	4.17

Equitable Life Assurance Society
4 Coleman Street, London EC2R 5AP — 01-606 6611

Far Eastern	179.6	189.0	+1.0	—
Fd of Inv Tsts	149.6	156.8	+0.5	—
Gilt & Fixed Int	116.2	122.3	-0.2	—
High Income	164.5	173.2	+1.1	—
Intnl Growth	111.3	117.2	+0.3	—
Managed	135.5	142.6	+0.5	—
Money	109.1	114.8	—	—
North American	122.7	129.2	-0.4	—
Pelican	153.4	161.5	+1.2	—
Property	107.5	113.2	+1.3	—
Special Sits	158.5	166.8	+1.3	—
School Fee Managed	148.6	156.4	+0.4	—
Pension Funds				
Far Eastern	205.8	216.6	+1.4	—
Fd. of Inv. Tsts	164.4	173.0	+0.6	—
Gilt & Fixed Int	120.7	127.0	-0.2	—
High Income	188.3	198.2	+1.6	—
International Growth	115.0	121.0	+0.4	—
Managed	148.6	156.4	+0.4	—
Money	118.8	125.0	—	—
North American	128.0	134.7	-0.4	—
Pelican	171.2	180.2	+1.8	—

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

Money Market Trust Funds

Money Market Bank Accounts

NOTES

TRADITIONAL OPTIONS

3-month call rates

COMMODITIES AND AGRICULTURE

German call for farm policy 'regionalisation'

BY PETER BRUCE IN BONN

IN THE wake of serious losses in Sunday's General Election, the West German Government, or at least the more conservative elements in it, began yesterday to agitate for greater national control over agricultural policy.

Mr Ignaz Kiechle, the current agricultural minister, called in an interview published by DPA, the German news agency, for the "regionalisation" of the European Community's agricultural policies, arguing that national peculiarities needed to be taken into much deeper consideration.

He said attempts to formulate common agricultural policy down to the last detail increased the potential for conflict amongst community members. While accepting that a common effort in market protection and intervention remained necessary, Mr Kiechle said: "We need more room to manoeuvre, nationally, in a whole range of agricultural fields."

Much could be done, he said, with structural policies, those excluding produce prices but involving, for instance, direct aid to farmers themselves.

Farming conditions and traditions varied from country to country and Mr Kiechle pointed to sharply differing views on structural policies between the Germans, whose farms tend to be small, and the bigger, more mechanised, Dutch and British. "We don't want to have their structures forced on us," he said.

Although he denied that what he was suggesting amounted to a call for the "renationalisation" of agricultural policy in the EEC, it seems quite possible that Bonn's Community partners would need a great deal of convincing that this was not the case.

Mr Ignaz Kiechle . . . job on the line

Chancellor Helmut Kohl's Christian Democrats (CDU) and their Bavarian sister party, the Christian Social Union (CSU), suffered a drop in their share of the national vote on Sunday from 48.8 per cent in 1983 to 44.3 per cent, their worst result since 1949. Much of the loss is likely to be blamed on the refusal to vote of disaffected farmers, who say their real incomes are falling because of Community farm policies.

In Bavaria, Mr Kiechle's home state, the right-wing CSU under Mr Franz Josef Strauss saw its support fall 4.3 points from 1983 to 55.2 per cent, a comfortable majority but nevertheless a deeply worrying result for Mr Strauss.

Mr Kiechle's job is on the line, despite his efforts to secure compensation for West German farmers—and particularly the Bavarian dairy farmers—at almost every turn in Community pricing policy.

Yesterday's utterances, though, are more than an attempt to stay in the Cabinet when Mr Kohl announces a new government in a few weeks. They represent a growing dissatisfaction among many conservative leaders here with aspects of Community policy.

Farmers continue to complain bitterly about the common agricultural policy (CAP) and the CDU/CSU leadership worries particularly that extreme right wing parties might begin to attract more rural votes.

With state elections in, among others, the CDU-run farming states of Schleswig Holstein and the Rhineland Palatinate later this year, there is great nervousness in the CDU about the farming vote, which accounts for more than 10 per cent of the vote in both regions.

In Schleswig Holstein, the country's northernmost state and an important cereals growing region, the CDU suffered a 4.5 point loss on Sunday to 42 per cent of the vote. In communal elections in the state last year, a big stay-away in the rural areas, cut the CDU vote from 50.1 per cent to 44.2 per cent.

Britain's farmers draw in their horns

By Andrew Gowers

CAPITAL INVESTMENT by British farmers dropped by 17 per cent last year to its lowest level in 30 years, in spite of a 21 per cent recovery in farm incomes.

The figures, published yesterday in the Government's Annual Review of Agriculture, indicate the extent to which farmers' confidence was hit by the 45 per cent drop in their incomes the previous year as a result of appalling harvest weather. They also show why such gloom has descended on the agricultural machinery industry; the value of new investment in fixed assets fell by about 15 per cent to £1.07bn.

The Review says farmland prices continued to decline significantly in 1986, another sign of weakened confidence, and that the number of farms continued the steady slide it has been on since World War Two.

The recovery in net farming income to £1.41bn in 1986 from its low level of £1.16bn in 1985 mainly reflected better harvest conditions. However, Mr Simon Gourlay, president of the National Farmers' Union, warned that the underlying income trend was "strongly downwards."

Annual Review of Agriculture 1987; £6.60 from HMSO.

China offered cheap US wheat

BY NANCY DUNNE IN WASHINGTON

THE US has undertaken a major expansion in its agriculture export bonus programme by offering China 1m tonnes of wheat at subsidised prices.

The offer came after a long debate within the Administration about whether to extend the Export Enhancement Program (EEP) beyond those markets where the US wants to beat out subsidised EEC competition. The EEP was designed specifically to challenge lower-priced Community products, which American farmers say have unfairly pushed Americans out of their traditional markets.

By extending the scheme to China, where few EEC sales have been reported, the US seems to be signalling a willingness to use the controversial programme against competitors who do not use export subsidies, such as Canada and Australia.

In recent weeks the US Department of Agriculture has become increasingly aggressive with the EEP. Earlier this month Switzerland was offered 250,000 tonnes of barley and/or sorghum under the scheme.

Last month Poland was added as a beneficiary with two offers of subsidised grains.

An official at the USDA said that the Chinese have not made any official promises to purchase US wheat. However, a team of department officials last week returned from China where trade prospects were discussed and presumably an EEP offer was encouraged.

Since the EEP programme was announced by Mr John Block, the former Agriculture Secretary, in June 1985, almost $1.04bn worth of subsidised commodities have been sold. The cost to the US, which gives surplus crops from Government stocks to exports who can then resell the commodities, has been about $655m.

Producers set to begin coffee quota battle

By Andrew Gowers

COFFEE PRODUCERS start a three-day meeting in London today at which they are expected to fire the first shot in a battle with consumers over terms for the reintroduction of quota controls on coffee exports.

Up to 50 coffee-exporting countries — alarmed by the recent slide in prices — are likely to call for the resumption of quotas in order to stabilise the market and eventually to lift prices into the 120 to 140 cent range set under the International Coffee Agreement. But they face some tough talking from importing countries, which are determined to ensure more flexible operation of the pact.

Quotas — the normal mechanism for keeping prices within the agreed range—were suspended last February, after prices soared owing to an anticipated shortfall in suppplies from Brazil, the biggest producer. However, during the autumn the market collapsed as the expected shortage failed to develop and processors (roasters) found themselves holding more than adequate stocks.

Prices have recovered from the lows in recent days amid a resurgence of demand sparked by Brazil's announcement of a market-oriented pricing formula. But they remain well below the support level; yesterday, for example, the International Coffee Organisation's 15-day indicator price was quoted at 118.11 cents per lb.

In normal circumstances, quotas would have been automatically reimposed once the indicator dropped below 134.55 cents. But they could not be resumed because a formula for dividing up the market between producers had not been agreed, and most countries involved in the trade seemed in little hurry to do so.

This week, the producers are likely to reach a common position on market shares, probably revolving round the maintenance of the status quo which existed before the suspension of quotas. Those countries which might have been inclined to push for a bigger slice of the market — like some of the African producers — have plainly been scared into line by the sharpness of the price fall.

The producer position will then go forward to a meeting next week of the ICO's Executive Board, which has both consumer and producer representatives. Consuming countries, which have long complained about the inflexibility of the pact, seem certain to resist the producers' proposal, and may even suggest a downward revision in prices. The differences will have to be sorted out at a full meeting of the ICO council, probably later in February.

The US, which has tended to waive its objections to quota-style commodity agreements in the past for political reasons, is taking a particularly tough line. The Reagan Administration has been irked by suggestions that the Latin American producers might try to influence the market outside the framework of the coffee pact, and is refusing to support renewal of legislation in Congress providing for the implementation of the Agreement until it gets an assurance that they will not.

Supply fears lift US cattle prices

BY DAVID OWEN IN CHICAGO

CATTLE PRICES on the Chicago Mercantile Exchange rose sharply early this week in response to a USDA report indicating that the supply of animals available for slaughter in the first half will be tighter than expected.

By mid-morning yesterday, March feeder cattle had climbed to 66.42 cents a pound — up 1.70 cents on the week so far, having risen by their maximum 1.50 cents permissible limit to a new contract high on Monday. Live cattle prices also responded strongly, with the April position trading at 61.30 cents a pound, again up 1.70 cents from last Friday's close.

Analysts were generally cautious about future prospects, however, anticipating a probable drop in consumption in the wake of the severe east coast snow storms of recent days. "The market is grossly overbought," according to Mr Bill Ardt of Dean Witter Reynolds. "If it was not for the USDA report, I would be telling people to sell like maniacs," he added.

The report released after the market closed on Friday, put the number of cattle on feedlots on January 1 at 9.2m — a 5 per cent decline on a year ago and well below market expectations.

While the number of slaughterings during the last quarter was also interpreted bullishly, the real surprise, analysts said, was the slow rate of new placements coming onto the feedlots.

"There was a lot of feeling that cheaper corn would bring cattle in," said Mr Jerry Gidel of Chicago-based G. H. Miller & Co. "But the bumpy market around Thanksgiving made the feedlot people cautious," he added. "That meant they did not replace as quickly as they were marketing." In the event, final quarter placements were down 9 per cent on a year earlier, with a particularly sharp drop occurring in Texas.

Analysts largely discounted the impact of a six-week old strike by 2,500 workers at the Dakota City plant of IBP Inc, formerly Iowa Beef Processors, the largest US boxed beef producer.

"IBP is the predominant cattle killer in the US," according to G. H. Miller's Mr Gidel, "but we do have capacity to cover when that plant is not working," he added.

EEC-Soviet butter deal worries NZ

By Tim Dickson in Brussels and Dai Hayward in Wellington

SPECULATION IS mounting in Brussels that large quantities of EEC butter may shortly be sold to the Soviet Union.

Officials from the European Commission and representatives of member states will meet tomorrow to consider requests from traders for the huge subsidies needed to complete the deal. Hundreds of thousands of tonnes are said to be at stake.

Given the crisis in the dairy sector and the size of the EEC butter "mountain" — 1.34m tonnes at the last count—the Commission will be greatly tempted by the prospect of a major sale.

The Soviet Union has always been a politically sensitive customer for cheap butter but the Commission has already made clear its desire to unload 400,000 tonnes this year "to certain export destinations" if Ministers will provide the funds. It is widely acknowledged that Moscow is the only significant potential overseas buyer at present.

The New Zealand dairy industry fears that negotiations now under way to sell its own butter and whole milk powder to the Soviet Union could be undermined by EEC sales.

New Zealand and Moscow have been negotiating separate butter and whole milk powder deals for some months.

Broken Hill workers reject peace plan

BY CHRIS SHERWELL IN SYDNEY

A PROTRACTED industrial dispute over safety codes and work practices at the lead and zinc mines in Broken Hill remained unresolved yesterday after a union meeting and further talks with the management.

Miners decided at a weekend mass meeting not to accept the recommendations of Judge Cahill of the New South Wales Industrial Commission, who backed changes sought by two mining companies, CRA and North Broken Hill.

The workers adjourned until they received terms of an upgraded pension and severance scheme from the two companies.

But talks with the management on Monday made no progress.

The management says the two issues should not be linked, and that details of the scheme must anyway await acturial advice. The miners, apparently recognising the inevitability of change, evidently wish to secure the best possible terms for it.

The issues now go back to the Commission. The miners will continue to work, but under a system which the companies remain determined to change.

The dispute led to a damaging eight week strike last year, but an interim agreement subsequently reached under the auspices of the Commission continues to operate.

No tin curb in Australia

THE AUSTRALIAN Government has no intention of setting export or production quotas for tin under the plan proposed by the Association of Tin Producing Countries (ATPC), senior Trade Department officials said, reports Reuter from Sydney.

In Kuala Lumpur last week officials of the seven-nation ATPC, of which Australia is a member, agreed to limit total annual exports to 96,000 tonnes.

Individual quotas were not disclosed but ATPC officials put Australia's proposed quota at 7,000 tonnes.

Australia has made it clear it will not restrict tin production or exports, the officials said from Canberra.

The officials said the 7,000 tonne figure is roughly equal to Australia's current output, which has dropped as a result of production shutdowns since the collapse of the International Tin Agreement in late 1985.

They said they suspect the ATPC officials took this into account when they agreed on the quotas, which have yet to be ratified by ATPC member governments.

"To sum it up, it's what they intended to produce anyway," one said of the 96,000-tonne total.

The overwhelming bulk of Australia's tin now comes from the low-cost Renison underground mine in Tasmania.

LONDON MARKETS

THE RECENT upsurge in world sugar values ran out of steam yesterday. After climbing by more than $30 in the space of a week the London daily raw sugar price was fixed yesterday morning at $190 a tonne, $5 below Monday's level. And on the futures market nearby positions ended the day $5 or $6 lower. The underlying tone remained basically bullish, however, as brokers continued to assess the likely impact of a wave of Soviet buying on the hitherto depressed world market. Analysts assessments of the statistical supply / demand situation for sugar have been more optimistic for some time but after repeated disappointments in the recent past traders have preferred to wait for positive signs of increased demand before marking up prices. Yesterday brokers also quoted Brazil's requests for deferment of contracted sugar shipments as a reason for optimism on price prospects.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	775-6	+6.5	774/774
3 months	786-7	+5.0	790/786

Official closing (am): Cash 774-5 (768-9), three months 786-6.5 (782-2.5), settlement 775 (769). Final kerb close: 784-5. Turnover 18,950 tonnes.

COPPER

Grade A	Unofficial close	+ or —	High/Low
Cash	884-5	—3.5	884.5/885.0
3 months	907-7.5	+6.5	906.5/901.5

Official closing (am): Cash 884-4.5 (874.5-5), three months 906.5-7 (897.5), settlement 884.5 (875). Final kerb close: 904.5-5.

Standard			
Cash	861-3	+4.5	862/862
3 months	886.5-7.5	+6.0	886/886

Official closing (am): Cash 863-3.5 (855-6), three months 886-7 (875-6), settlement 883.5 (858). US producer prices 63.25-67.00 cents per lb. Total turnover 14,025 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	296-7	+7.0	296.5/295.5
3 months	298-8.5	+5.75	299.5/293

Official closing (am): Cash 295-5.5 (289-90), three months 298.5-9 (292-3), settlement 295.5 (290). Final kerb close: 295-6. Turnover 11,100 tonnes. US spot: 24.00-27.00 cents per lb.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	2365-75	—40.0	—
3 months	2410-5	—34.0	2445/2418

Official closing (am): Cash 2375-85 (2385-90), three months 2415-20 (2420-2), settlement 2385 (2390). Final kerb close: 2400-10. Turnover 1,360 tonnes.

KUALA LUMPUR TIN MARKET: Close 17.23 (17.20) ringgit per kg. Up 0.03 ringgit per kg.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	489-90	+9.0	492/492
3 months	484-5	+6.0	489/479

Official closing (am): Cash 490-2 (479-80), three months 487-8 (477-7.5), settlement 492 (480). Final kerb close: 479-80. Turnover: 9,700 tonnes. US Prime Western: 41.00-44.75 cents per lb.

GOLD

Gold rose $4 an ounce from Monday's close in the London bullion market yesterday to finish at $410¾-411¼. The metal opened at $409½-410 and traded between a high of $411½-412 and a low of $408-408½. The firmer trend was mainly a follow on from Monday's improvement in New York which was sparked by the sharp fall in equity prices and continued dollar weakness.

GOLD BULLION (fine ounce) Jan. 27		
Close	$410¾-411¼	(£268¼-268¾)
Opening	$409½-410	(£268-268½)
M'n'g fix	$408.70	(£267.474)
Aft'n'n fix	$411.50	(£269.348)

GOLD AND PLATINUM COINS		
Am Eagle	$424-429	(£276¼-279¼)
Mapleleaf	$421½-426	(£274½-277½)
Kr'g'r'nd	$408-411	(£266¼-267¾)
½ Krug	$209½-210½	(£136½-137)
¼ Krug	$104-105	(£67¾-68¼)
Angel	$423-426	(£275½-277¼)
1/10 Angel	$42-47	(£27¼-30½)
New Sov	$97-99	(£63¼-64½)
Old Sov	$98-99½	(£63¾-64¾)
$ 20 Eagle	$450-500	(£293-325¼)
Noble Plat	$548-555	(£356¼-362)

SILVER

Silver was fixed 5.05p an ounce higher for spot delivery in the London bullion market yesterday at 368.1p. US cent equivalents of the fixing levels were: spot 562.5c, up 7.4c; three-month 570.8c, up 7.6c; six-month 579.2c, up 7.8c; and 12-month 596.15c, up 8.15c. The metal opened at 369-370½p (564-566c) and closed at 369-370½p (565-567c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	368.10p	+5.05	370p	+3
3 months	377.90p	+5.25	379.5p	+2.5
6 months	387.50p	+5.50	—	—
12 months	405.55p	+5.75	—	—

LME—Turnover: 9 (18) lots of 10,000 ounces.

Three months high/low 377.5p, final kerb 378-81p.

SOYABEAN MEAL

Continued short-covering, especially on the near positions, lifted prices through the day, supported by lack of commercial selling along with professional buying, reports Muirpace.

	Y'sterd'ys close £ per tonne	+ or —	Business done
Feb	127.0-128.0	+1.50	128.0
April	125.5-125.8	+1.45	125.8
June	118.0-118.4	+0.80	118.0
August	115.0-115.8	+0.55	115.4-114.8
October	117.0-118.0	+0.85	—
Dec	119.2-120.5	+0.50	—
Feb	120.5-123.5	+0.75	—

Sales+ 330 (419) lots of 20 tonnes.

MEAT

MEAT COMMISSION — Average fatstock prices at representative markets. GB—Cattle 82.54p per kg lw (−2.53). GB—Sheep 189.66p per kg est dcw (−21.49). GB—Pigs 72.90p per kg lw (−0.51).

FUTURES—Pigs: April 95.00, sales 5.

INDICES

REUTERS

Jan.26	Jan.23	M'th ago	Year ago
1622.7	1601.5	—	1862.1

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Jan. 26	Jan. 23	M'th ago	Year ago
Spot	116.43	115.92	—	139.23
Fut	117.35	116.74	—	155.49

(Base: December 31 1931=100)

MAIN PRICE CHANGES

	Jan. 27 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1255/275	+5	$1210/260
Copper			
Cash Grade A	£884.5	—3.5	£908
3 mths	£907.25	+6.5	£932.75
Gold Troy oz	$411	+4	$389.75
Lead Cash	£296.5	+7	£355.5
3 mths	£298.25	+5.75	£315.5
Nickel			
Free Mkt	165/185c		158/178c
Palladium oz	$123.50	+1	$117.55
Platinum oz	$532.40	+9.85	$472.75
Quicksilver†	$150/160		$150/160
Silver troy oz	368.10p	+5.85	359.45p
3 mths	377.90p	+5.25	368.70p
Tin			
free Mkt	£4580/580	+10	£4550/570
Tungsten	$43.18		$42.10
Wolfram 22.04lb	$37/46		$32/48
Zinc	£489	+9	£561.5
3 mths	£484.5	+6	£544.5
producers	$820		$870
OILS			
Coconut (Phil)	$440y	—20	$405
Palm Malayan	$390w		$305
Copra (Phil)	$300x		$260
Soyabean (U.S.)	$142x		$144
GRAINS			
Barley Fut. May	£114.15	—0.20	£113.40
Maize	£145.25w		£148.00
Wheat Fut. May	£117.85	+0.80	£113.15
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. May	£1344.5	+5	£1419
Coffee Ft. Mar.	£1597.5	—20	£1534
Cotton A Ind.*	66.60c	—0.4	63.15c
Gas Oil Mar.	$156	—2	$147.75
Rubber (kilo)	66p	+0.5	64.75p
Sugar (raw)	$190y	—5	$146.5
Wooltops 64s	421p kilo		421p kilo

‡ Unquoted. † Per 75 lb flask. c Cents a pound. * Cotton outlook. x Jan-Feb. z Dec-Jan. w Feb. y Feb-March.

COFFEE

During a quiet day the market found trade selling at higher levels and price fixing below the market, reports DBL. In moderate volume London was reluctant to test new ground as the overhead selling and the underlying interest kept business within a narrow range. Activity also appeared to be somewhat dampened in front of the ICO producers meeting.

COFFEE	Yesterday close	+ or —	Business Done
Jan	1570-1575	—52.5	1605-1585
Mar	1595-1600	—20.0	1611-1590
May	1602-1605	—24.5	1620-1600
July	1630-1637	—24.0	1642-1625
Sept	1655-1662	—23.0	1670-1655
Nov	1685-1699	—13.5	1695-1686
Jan	—	—	—

Sales: 3,710 (4,259) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for January 26: Comp. daily 1979 18.83 (119.86); 15-day average 118.11 (118.28).

COCOA

Futures were locked in a £8 range throughout a day which saw only light volume of trade with closing levels at the highs. Physical business was restricted to some limited consumer offtake. Producers continued withdrawn, reports Gill and Duffus.

COCOA	Yesterday's close £ per tonne	+ or —	Business done
March	1315-1317	+4.5	1317-1312
May	1344-1345	+5.0	1346-1341
July	1375-1376	+6.0	1377-1372
Sept	1403-1405	+5.0	1404-1401
Dec	1435-1436	+7.0	1435-1429
March	1465-1466	+8.0	1465-1460
May	1483-1485	+9.0	1482 1480

Sales: 1,889 (4,579) lots of 10 tonnes.

ICCO Indicator prices (SDRs per tonne). Daily price for January 23: 1525.73 (1591.37); five-day average for January 26: 1591.44 (1598.76).

POTATOES

With continued weakness in the Dutch futures and the UK physical markets, London futures eased £1.10, basis April, with sellers in evidence as values slipped further. In nervous trade and with little news of how the crop is storing after the recent severe weather, buyers emerged with profit-taking at £4.00 down from the previous close. The recovery continued in the afternoon with April finishing 40p down on the day, reports Coley and Harper.

Month	Yesterday's close £ per tonne	Previous close	Business done
Feb	112.50	118.00	—
Apr	156.60	157.00	157.00-152.00
May	179.90	180.50	189.50-177.00
Nov	88.80	89.50	89.00
Feb	97.80	97.50	—

Sales: 1,355 (828) lots of 40 tonnes.

GRAINS

Old crop wheat rapidly absorbed early sellers, following firm delivered markets, advancing further to reach new contract highs before finding profit-takers. Barley eased on shipper long liquidation. New crops found shipper selling on both wheat and barley with short term profit taking the only support, reports T. G. Roddick.

Mnth	WHEAT Yest'rdy's close	+ or —	BARLEY Yest'rdy's close	+ or —
Mar	115.20	+0.70	112.75	—0.10
May	117.85	+0.80	114.15	—0.20
July	120.15	+0.50	—	—
Sep	100.25	—0.30	100.20	—0.40
Nov	102.40	—0.50	102.90	—0.50
Jan	105.45	—0.55	105.75	—0.40

Business done—Wheat: Mar 115.20-4.75, May 17.80-7.75, July 120.15, Sept 100.45-0.25, Nov 102.70-2.40, Jan 105.60-5.45. Sales: 619 lots of 100 tonnes. Barley: Mar 112.85-2.75, May untraded, Sept 100.40-0.20, Nov 103.05-2.90, Jan 105.75. Sales: 91 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark northern spring no 1 15 per cent Feb 104.75, Mar 104.50, April/May 103.50. US no 2 soft red winter Feb 107.75. French 11½-12 per cent Jan 141.50. English feed fob Feb 118.50/119.0, Mar 19.75/120.00, April/June 121.75/122.00, Sept 102.50/103.0 buyer/sellers, Oct/Dec 106 50 value. Maize: US no 3 yellow/French transhipment east coast first-half Feb 143.25. Barley: English feed fob Feb 114.50/115.50 buyer/sellers Peterhead, 116.00/117.00 Boston, Mar 16.00 seller Scottish, Mar 118.00 seller English.

HGCA—Locational ex-farm spot prices. Feed barley: S. East 114.10, W. Mids 110.00, N. West 110.80. The UKmonetary coefficient for the week beginning Monday February 2 (based on HGCA calculations using five days' exchange rates) is expected to remain unchanged.

RUBBER

PHYSICALS—The London market opened slightly steadier, attracted very little interest at the higher levels and closed quiet, reports Lewis and Peat. Closing prices (buyers): Spot 66.00p (65.50p); March 64.25p (63.75p); April 64.25p (63.75p). Kuala Lumpur fob prices (Malaysian cents a kilo): RSS No 1 229 (228) and SMR 206 (206).

FUTURES—Index 657, Feb 680-660, March 685-695, April/June 690-700, July/Sept 696-711. Sales: Nil.

US MARKETS

EARLY TRADE selling in gold futures depressed values in the face of local and commission house buying, bringing the market away from the resistance area at $413.50 to $414.00, basis February, reports Drexel Burnham Lambert. Finding support, the market bounced on fresh buying to close steady. Silver futures also fell on trade selling while copper firmed on trade buying in the face of local and commission house selling. Crude oil futures remained thinly traded, but despite apparent fresh short selling by speculators, good trade buying indicated underlying support. Cocoa futures rallied in a technical move as locals and commission houses covered shorts, while sugar futures held in a narrow range following earlier weakness induced by trade selling in the London market. Cotton futures fell to limit-down in the near contract months as good trade and commission house selling emerged, reindexes. In the grains wheat was lower, reflecting movement of grain from farms, maize remained under pressure while soyabeans firmed as traders bought beans against products. Soyabean meal nevertheless firmed on reports of smaller inventories, but soyabean oil weakened as a result of selling against the beans and larger inventories. Cattle futures continued strong following Monday's rally, hog futures firmed reflecting stronger cash prices, while pork belly futures fell reflecting slower bacon business.

NEW YORK

ALUMINIUM 40,000 lbs, cents/lb

	Close	High	Low	Prev
Jan	53.35	—	—	52.80
Feb	53.50	—	—	52.95
March	53.65	53.65	53.50	53.10
May	53.80	53.50	53.50	53.25
July	53.80	53.60	53.40	53.25
Sept	53.85	—	—	53.30
Jan	54.30	—	—	53.75
March	54.45	—	—	53.90
May	54.55	—	—	54.00

COCOA 10 tonnes, $/tonne

	Close	High	Low	Prev
March	1823	1827	1807	1804
May	1862	1865	1849	1844
July	1890	1892	1880	1871
Sept	1924	1922	1916	1906
Dec	1955	1958	1945	1935
March	1982	—	—	1962
May	2005	2005	—	1984

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
March	124.74	125.25	123.50	124.43
May	127.14	127.25	125.70	126.84
July	129.50	129.80	128.00	129.28
Sept	131.25	131.65	130.60	131.01
Dec	134.13	134.50	134.25	134.13
March	134.50	135.00	134.90	138.00
May	135.00	—	—	137.00

COPPER 25,000 lbs, cents/lb

	Close	High	Low	Prev
Jan	61.10	61.20	61.20	61.25
Feb	61.15	—	—	61.30
March	61.45	61.80	61.15	61.60
May	61.90	62.25	61.60	62.05
July	62.40	62.70	62.15	62.55
Sept	62.80	63.05	62.65	62.95
Jan	63.60	—	—	63.75
March	64.05	63.95	63.95	64.20
May	64.35	—	—	64.50

COTTON 50,000 lbs, cents/lb

	Close	High	Low	Prev
March	57.15	58.60	57.15	59.15
May	56.10	57.65	55.97	57.97
July	55.82	57.00	55.45	57.15
Oct	55.87	57.00	55.30	57.00
Dec	55.50	56.42	54.95	56.11
March	56.05	57.00	55.70	56.82
May	56.40	57.00	57.00	57.15

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	High	Low	Prev
March	18.53	18.64	18.47	18.64
April	18.39	18.47	18.32	18.44
May	18.17	18.24	18.12	18.25
June	17.82	17.75	17.90	18.03
July	17.81	17.88	17.77	17.88
August	17.70	17.74	17.70	17.80
Sept	17.70	17.70	17.70	17.75
Oct	17.80	17.80	17.70	17.75
Dec	17.83	17.83	17.83	17.85

ORANGE JUICE 15,000 lbs, cents/lb

	Close	High	Low	Prev
March	119.00	120.50	118.50	120.50
May	119.75	121.25	119.30	121.40
July	120.40	121.40	120.00	122.00
Sept	121.40	122.00	121.00	123.00

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Jan	415.5	—	—	411.0
Feb	415.7	415.8	409.6	411.3
March	417.4	418.5	412.5	413.0
April	419.8	420.0	413.5	415.4
June	423.7	424.0	417.5	419.2
August	427.6	424.0	423.4	423.0
Oct	431.3	427.5	425.0	426.8
Dec	435.0	434.5	428.5	430.3
Feb	438.9	438.5	433.0	434.1
June	446.7	443.0	443.0	441.7

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Feb	51.60	52.60	51.60	52.22
March	51.25	51.90	51.15	51.54
April	50.10	50.50	49.80	50.09
May	48.75	49.00	48.40	49.65
June	47.60	47.90	47.35	47.55
July	—	—	—	47.45
Aug	47.50	—	—	48.00
Sept	48.55	—	—	49.00

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Jan	538.5	536.0	534.0	530.9
Feb	542.5	534.0	534.0	—
April	543.5	544.0	528.0	534.9
July	547.0	547.2	532.3	539.4
Jan	555.0	—	—	546.4
April	560.0	561.0	561.0	551.4

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Jan	568.2	—	—	566.7
Feb	568.7	—	—	566.5
March	571.5	578.5	564.5	569.0
May	577.3	582.0	570.0	574.8
July	583.0	588.0	577.0	580.4
Sept	589.0	591.0	584.0	586.3
Jan	601.1	—	—	598.2
March	606.9	610.0	602.0	604.0
May	613.2	612.5	612.0	610.1

SUGAR WORLD "11" 112,000 lbs, cents/lb

	Close	High	Low	Prev
March	7.78	8.00	7.75	8.22
May	7.89	8.02	7.96	8.23
July	7.95	8.06	7.93	8.27
Sept	8.00	8.10	8.00	8.37
Oct	8.07	8.18	8.00	8.35

CHICAGO

LIVE CATTLE 40,000 lbs, cents/lb

	Close	High	Low	Prev
Feb	60.97	61.27	60.10	60.47
April	61.67	61.82	60.95	61.10
June	60.35	60.45	59.80	60.17
Aug	58.30	58.45	58.00	58.35
Oct	56.75	56.92	56.55	56.75
Feb.	57.50	—	—	57.50

LIVE HOGS 30,000 lbs, cents/lb

	Close	High	Low	Prev
Feb	49.55	59.85	49.10	49.17
April	45.17	46.45	44.80	45.05
June	46.77	46.95	46.50	46.80
July	46.95	47.10	46.40	46.70
Aug	44.32	44.77	44.30	44.30
Oct	41.00	41.12	40.70	40.85
April	38.70	38.85	38.62	38.55

MAIZE 5,000 bu min, cents/56 lb bushel

	Close	High	Low	Prev
March	156.6	159.0	156.4	159.2
May	163.4	165.0	163.2	165.6
July	168.4	169.6	168.2	170.4
Sept	171.4	173.4	171.4	173.6
Dec	176.2	177.4	176.0	177.6
March	183.6	185.0	183.4	185.2
May	187.0	188.0	186.4	188.0

PORK BELLIES 38,000 lbs, cents/lb

	Close	High	Low	Prev
Feb	64.85	66.20	63.90	65.75
March	63.87	65.55	63.02	65.02
May	64.57	65.90	63.60	65.17
July	62.72	64.15	62.50	63.47
Aug	61.90	62.30	60.35	62.15

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
March	501.4	502.6	499.4	500.6
May	500.6	502.2	499.6	500.2
July	500.4	502.0	499.4	500.4
August	498.4	500.4	498.4	499.4
Sept	486.4	489.6	486.4	486.6
Nov	484.2	485.6	483.4	484.4
Jan	490.4	491.0	490.4	490.6
March	498.0	498.4	498.0	497.6
May	501.4	501.4	501.4	501.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
March	143.2	144.0	143.1	142.2
May	140.8	142.0	140.8	140.6
July	140.1	141.0	140.1	139.9
August	139.8	141.0	138.6	139.3
Sept	139.6	141.0	139.3	139.0
Oct	138.8	140.0	138.6	138.5
Dec	139.2	140.0	139.0	138.8
Jan	139.7	139.4	140.0	139.9

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
March	16.94	17.05	16.76	17.04
May	17.24	17.34	17.10	17.32
July	17.46	17.57	17.34	17.35
August	17.47	17.55	17.35	17.57
Sept	17.47	17.50	17.35	17.50
Oct	17.30	17.40	17.25	17.30
Dec	17.30	17.45	17.30	17.33
Jan	17.27	17.25	17.30	17.25

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
March	289.0	293.6	288.2	293.2
May	270.6	273.6	270.0	273.0
July	252.6	255.0	252.0	254.2
Sept	252.2	254.4	252.0	253.6
Dec	258.4	258.6	257.4	260.0
March	289.0	293.6	288.2	293.2

SPOT PRICES—Chicago loose lard 15.00 (same) cents per pound. Handy and Harman silver bullion 568.0 (565.0) cents per troy ounce.

SUGAR

LONDON DAILY PRICE—Raw sugar $190.00 (£124.50), down $5.00 (down £2.50) a tonne for February-March delivery. White sugar $207.00, down $4.50.

No. 6 Contract	Y'sterdy's close $ per tonne	Previous close	Business done
Mar	174.4-174.5	181.0-181.5	181.0-173.8
May	176.2-176.6	181.8-182.6	181.0-175.6
Aug	177.4-178.6	183.4-184.0	181.8-181.4
Oct	180.0-180.2	186.0-186.2	184.4-180.0
Dec	182.0-185.8	189.8-193.8	186.2
Mar	188.0-188.4	195.0-195.8	188.8-187.6
May	191.8-191.4	195.0-198.0	—

Sales: 2,796 (7,568) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £227.50 (£232.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for January 23: Daily price 7.19 (6.93): 15-day average 6.16 (6.05).

PARIS—(FFr per tonne): Mar 1250/1255, May 1274/1278, Aug 1304/1310, Oct 1332/1343, Dec 1365/1384, Mar 1410/1428.

OIL

The crude market continued thin with prices fairly stable. February Bonny Light sold at $18.40 and Ninian at $18.30. March WTI opened 8c down on Nymex and traded 16c down at 1.30 pm EST. In the petroleum products market prompt gas oil and naphtha weakened as buying interest in North-West Europe remained withdrawn. Gasoline was stable on some UK buying interest. Fuel oil was weak on poor demand—Petroleum Argus, London.

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—Feb.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	16.95-17.10	—0.075
Brent Blend	18.20-18.30	—0.05
W.T.I. (1pm est)	18.45-18.55	—0.10
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	170-173	—
Gas Oil	160-162	—1.5
Heavy fuel oil	95-96	—3.5
Naphtha	157-160	—1.5

GAS OIL FUTURES

Month	Yestrdy's close US $ per tonne	+ or —	Business Done
Feb	159.25	—5.00	160.50-58.00
Mar	158.00	—2.00	157.00-55.25
Apr	152.25	—0.75	152.50-50.50
May	147.25	—0.25	147.75-45.50
June	145.50	—0.50	—

Turnover: 2,684 (1,399) lots of 100 tonnes.

FREIGHT FUTURES

Prices eased again in quiet trading against a background of weaker physicals, in particular the lower price for bunker, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
Jan.	855/860	869/855	858.5/861.5
April	772/775	775/767	779/782
July	655/659	—	657/655
Oct.	771/774	775	776/778
Jan.	800	—	800/830
Apr.	800/810	—	805/830
July	700	—	699/719
Oct.	800/830	—	745/820
BFI.	863	—	863.5

Turnover: 130 (58).

HEAVY FUEL OIL

Month	Yesterday close US $ per tonne	+ or —	Business Done
Feb	93.50	—6.00	95.50
Mar	93.50	—3.00	95.00-93.50
Apr	92.00	—0.75	92.00

Turnover: 13 (0) lots of 100 tonnes.

EEC tapioca quota decision soon

EEC Ministers are expected to agree next month on quotas for the import of tapioca and sweet potatoes from third countries, Reuter reports.

Member states are now in basic agreement on the matter and foreign ministers could reach an accord when they meet on February 16 and 17 in Brussels.

France had earlier held up agreement because of opposition to China being allowed exports of 600,000 tonnes of sweet potatoes a year between 1987 and 1989.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar weak and nervous

THE DOLLAR lost ground from overnight levels in London despite modest intervention by the West German Bundesbank. The bearish tone which has pushed the dollar lower in recent weeks was still the main market influence but there was a lack of any renewed incentive to push it much outside recent trading ranges.

Intervention by the central bank in such relatively thin trading served as a reminder to speculators that there was little percentage at the moment in running short positions.

The market was also uncertain ahead of Friday's release of US trade figures. These were expected to be very poor and in line with November's record deficit but recent predictions suggested a narrowing of the deficit and this created a good deal of uncertainty.

The dollar finished at its lowest closing level since October 1980 at DM 1.8055 compared with DM 1.8230 on Monday. Against the yen it slipped to Y151.65 from Y152.65 and SFr 1.5155 compared with SFr 1.5315. In terms of the French franc it slipped to FFr 6.0325 from FFr 6.0825. On Bank of England figures, the dollar's exchange rate index fell from 104.3 to 103.8.

STERLING—Trading range against the dollar in 1986-87 is 1.5555 to 1.3700. December average 1.4387. Exchange rate index 68.8, unchanged from the opening and down from Monday's close of 68.9. The six months ago figure was 73.0.

Sterling remained on the sidelines for most of the day as attention focussed on the dollar. A firmer trend started after a recent opinion poll and given the Conservative Party a comfortable lead tended to run out of steam. While oil prices remained firm, the pound still looked vulnerable, especially against European currencies.

The pound closed at $1.5355 up from $1.5280 and its best level since July last year. It was weaker against the D-Mark however at DM 2.7725 down from DM 2.7850 and Y232.75 compared with Y233.25. Elsewhere it slipped to SFr 2.3275 from SFr 2.3400 and FFr 9.2625 compared with FFr 9.2950.

D-MARK—Trading range against the dollar in 1986-87 is 2.4710 to 1.8055. December average 1.9890. Exchange rate index 148.7 against 136.9 six months ago.

The Bundesbank added to its open market intervention in Frankfurt by purchasing a nominal $7.9m at the fixing. The dollar was quoted at DM 1.8195 up from DM 1.8176 on Monday.

Despite the Bank's intervention dollar sentiment remained bearish with the Bundesbank's intervention seen as indicating a presence rather than a concerted attempt to influence the market. The authorities were well aware that a further run on the dollar would not be stopped by central bank intervention. Much depends on Friday's US trade figures for December.

JAPANESE YEN—Trading range against the dollar in 1986-87 is 202.7 to 151.30. December average 162.19. Exchange rate index 210.7 against 215.8 six months ago.

The yen showed a small improvement against the dollar in Tokyo but traders were wary about selling the dollar too short ahead of Friday's US trade figures. The dollar closed at Y151.95 compared with Y152.75 on Monday. There were rumours that Friday's trade deficit would not be as bad as originally thought but it was hard to judge how the dollar would react given its overall bearish feel.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu January 27	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	42.7331	+0.65	+0.65	±1.5344
Danish Krone	7.85212	7.82764	−0.31	−0.31	±1.6404
German D-Mark	2.05853	2.06167	+0.15	+0.15	±1.0981
French Franc	6.90403	6.88016	−0.35	−0.35	±1.3674
Dutch Guilder	2.31943	2.32420	+0.21	+0.21	±1.5012
Irish Punt	0.768411	0.776467	+1.05	+1.05	±1.6684
Italian Lira	1483.58	1466.30	−1.16	−1.16	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Jan 27	Close	Previous Close
£ Spot	1.5350-1.5360	1.5230-1.5240
1 month	0.56-0.53 pm	0.63-0.62 pm
3 months	1.79-1.74 pm	1.78-1.75 pm
12 months	6.35-6.25 pm	6.25-6.15 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Jan. 27	Previous
8.30 am	68.8	69.3
9.00 am	68.9	69.2
10.00 am	68.9	69.2
11.00 am	68.9	69.1
Noon	68.9	69.0
1.00 pm	68.9	69.0
2.00 pm	68.9	69.0
3.00 pm	68.8	68.9
4.00 pm	68.8	68.9

CURRENCY RATES

Jan. 27	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.826928	0.742166
U.S. Dollar	5.5	1.26611	1.13403
Canadian $	8.20	1.71177	1.52811
Austrian Sch.	4	16.1847	14.5054
Belgian Franc	8½	47.9602	42.7331
Danish Krone	7	8.70830	7.82764
Deutsche Mark	3½	2.30128	2.06167
Neth. Guilder	4½	2.60755	2.32420
French Franc	9½	7.71947	6.88016
Italian Lira	12	1638.50	1466.30
Japanese Yen	3.0	193.335	172.656
Norway Krone	8	8.90962	7.98698
Spanish Peseta	—	162.589	145.689
Swedish Krona	7½	8.21959	7.37800
Swiss Franc	4	1.93082	1.72996
Greek Drach.	20½	168.019	150.622
Irish Punt	—	0.870418	0.776467

*C$/SDR rate for Jan. 26; 1.70202.

CURRENCY MOVEMENTS

January 27	Bank of England Index	Morgan Guaranty Changes %
Sterling	68.8	−25.3
U.S. Dollar	103.8	−3.5
Canadian Dollar	77.6	−11.1
Austrian Schilling	139.7	+10.8
Belgian Franc	100.8	−3.5
Danish Kroner	93.7	+4.5

POUND SPOT—FORWARD AGAINST THE POUND

Jan. 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5230-1.5360	1.5350-1.5360	0.60-0.57c pm	4.57	1.78-1.73 pm	4.57
Canada	2.0560-2.0660	2.0595-2.0605	0.55-0.45 c pm	2.85	1.65-1.50 pm	3.06
Netherlands	3.17¼-3.14¼	3.12¾-3.13¾	1½-1¼ c pm	5.28	4¾-4 pm	5.36
Belgium	57.35-57.75	57.70-57.80	12-6 c pm	1.87	43-34 pm	2.67
Denmark	10.51¾-10.56¼	10.51¾-10.52¾	⅞-⅛ ore pm	0.57	2⅞-1½ pm	0.74
Ireland	1.0405-1.0460	1.0415-1.0425	0.15-0.30 p dis	−2.59	0.60-0.95dis	−2.98
W. Germany	2.76½-2.78¾	2.76¾-2.77¾	1⅝-1⅛ pf pm	6.49	4⅝-4⅜ pm	6.49
Portugal	214.62-216.16	215.65-216.15	142-300c dis	−12.28	280-517 dis	−7.38
Spain	195.73-196.66	195.75-196.00	18-50 c dis	−2.08	67-107 dis	−1.78
Italy	1967-1981¼	1969½-1970½	2 par lire pm	0.61	4 pm-1 dis	0.51
Norway	10.75-10.80½	10.79½-10.80½	3-3⅞ ore dis	−3.82	12⅛-13⅛ dis	−4.68
France	9.24½-9.28½	9.25¾-9.26¾	1⅝-1¼ c pm	1.86	4⅛-3½ pm	1.67
Sweden	9.93½-9.96¼	9.95¾-9.96¾	1½-1ore pm	1.51	2⅞-1⅛ pm	0.80
Japan	231½-233¾	232¼-233¼	1⅝-1⅛ y pm	6.44	4⅛-3¾ pm	6.77
Austria	19.48-19.56	19.48-19.50	10⅝-9⅞ gro pm	6.16	28⅛-25⅛ pm	5.46
Switzerland	2.32-2.33¾	2.32¾-2.33¾	1½-1¼ c pm	7.09	4⅜-4 pm	7.20

Belgian rate is for convertible francs. Financial franc 58.70-58.80. Six-month forward dollar 3.35-3.30 c pm. 12-month 6.22-6.12c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Jan. 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5230-1.5360	1.5350-1.5360	0.60-0.57c pm	4.57	1.78-1.73 pm	4.57
Ireland†	1.4540-1.4710	1.4700-1.4710	0.97-0.87c pm	7.57	2.85-2.70 pm	7.61
Canada	1.3425-1.3510	1.3430-1.3440	0.17-0.20c dis	−1.65	0.49-0.54 dis	−1.53
Netherlands	2.0365-2.0580	2.0355-2.0365	0.09-0.06c pm	0.44	0.38-0.33 pm	0.69
Belgium	37.55-37.84	37.55-37.65	8-10c dis	−2.87	17-21 dis	−2.02
Denmark	6.84¾-6.92	6.85-6.85½	2.05-2.95 ore dis	−4.36	6.05-6.95 dis	−3.78
W. Germany	1.8045-1.8245	1.8050-1.8060	0.28-0.25pf pm	1.75	0.88-0.83 pm	1.89
Portugal	140¼-141½	140¼-140½	125-225c dis	−14.83	350-500 dis	−12.00
Spain	127.70-128.75	127.70-127.80	65-70 c dis	−6.31	195-205 dis	−6.24
Italy	1282¾-1298	1282¾-1283¾	4-5 lire dis	−4.19	13-14½ dis	−4.27
Norway	7.02¾-7.06½	7.03¾-7.04¼	4.75-5.35 ore dis	−8.61	16.05-16.75dis	−9.32
France	6.03-6.09	6.03-6.03½	1.35-1.55c dis	−2.88	4.25-4.75 dis	−2.98
Sweden	6.48½-6.52½	6.48½-6.49	1.70-2.20 ore dis	−3.60	5.75-6.35 dis	−3.72
Japan	151.60-152.40	151.60-151.70	0.26-0.23y pm	1.93	0.81-0.76 pm	2.07
Austria	12.75-12.83	12.76¼-12.76¾	1.70-1.20gro pm	1.36	3.25-1.75 pm	0.78
Switzerland	1.5145-1.5390	1.5150-1.5160	0.35-0.30c pm	2.58	0.99-0.94 pm	2.54

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.20-38.30.

EURO-CURRENCY INTEREST RATES

Jan. 27	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	11-11⅛	11-11⅛	11$\frac{1}{16}$-11$\frac{3}{16}$	11-11⅛	10$\frac{13}{16}$-10$\frac{15}{16}$	10$\frac{13}{16}$-10$\frac{15}{16}$
U.S. Dollar	6⅛-6¼	6⅛-6¼	6⅛-6¼	6⅛-6¼	6⅛-6¼	6$\frac{3}{16}$-6$\frac{5}{16}$
Can. Dollar	7⅝-7⅞	7⅝-7⅞	7$\frac{11}{16}$-7$\frac{13}{16}$	7½-7⅝	7½-7⅝	7⅝-7¾
D. Guilder	5⅜-5⅝	5⅜-5⅝	5⅜-5½	5½-5⅝	5$\frac{7}{16}$-5$\frac{9}{16}$	5$\frac{7}{16}$-5$\frac{9}{16}$
Sw. Franc	⅞-1⅛	7⅞-8	3$\frac{5}{16}$-3$\frac{9}{16}$	3$\frac{7}{16}$-3$\frac{9}{16}$	3⅝-3¾	3⅝-3⅞
Deutschmark	4$\frac{7}{16}$-4$\frac{9}{16}$	4$\frac{7}{16}$-4$\frac{9}{16}$	4$\frac{7}{16}$-4$\frac{9}{16}$	4⅜-4½	4⅜-4½	4$\frac{7}{16}$-4$\frac{9}{16}$
Fr. Franc	9-9¼	9-9¼	8⅞-9⅛	9-9¼	8⅞-9⅛	8⅝-8⅞

FINANCIAL FUTURES

US bonds unsettled

US TREASURY bond prices finished slightly firmer in the London International Financial Futures Exchange yesterday in nervous trading. The March contract opened unchanged from Monday's close at 99-08 and this proved to be the day's low as a turnaround in US equity prices and renewed hopes of lower interest rates helped to revise interest. A high of 99-17 was touched before the contract closed at 99-12.

The extent of the advance was limited however as dealers were cautious ahead of the US refunding package for February, the terms and size of which will be announced by the US Treasury today. In addition the dollar's weakness also inhibited demand.

Three-month Eurodollar deposits were little changed in rather quiet trading. The March contract opened at 93.90 compared with Monday's close of 93.91 and stayed within a three tick range before finishing at 93.89.

The long gilt price finished slightly weaker on balance compared with Monday's close but traded in a fairly wide range. The March price opened at 114-22 compared with Monday's close of 114-24 and traded between a high of 115-06 and a low of 114-12 before closing at 114-21. The high was touched in the morning as some traders tried to boost prices but there was little follow through.

Today's release of UK trade figures kept many people on the sidelines.

Three-month sterling deposits were slightly easier. Cash rates were a little firmer where changed and although sterling was steady, it remained vulnerable. The March contract opened at 89.32 down from 89.36 and closed at 89.30.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Mar.	Calls—Last June	Puts—Last Mar.	Puts—Last June
106	8.45	9.00	0.05	0.14
108	6.44	7.14	0.02	0.28
110	4.48	5.38	0.06	0.52
112	2.60	4.11	0.18	1.25
114	1.34	2.63	0.56	2.13
116	0.42	2.10	2.00	3.24
118	0.15	1.26	3.37	4.40
120	0.07	0.55	5.29	6.05

Estimated volume total, Calls 1,377 Puts 656
Previous day's open int, Calls 15,568 Puts 8,804

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Mar.	Calls—Last June	Puts—Last Mar.	Puts—Last June
90	9.24	8.51	0.00	0.15
92	7.25	7.02	0.01	0.30
94	5.32	5.27	0.08	0.55
96	3.43	4.01	0.19	1.29
98	2.06	2.54	0.46	2.18
100	0.61	1.53	1.37	3.17
102	0.25	1.15	3.01	4.43
104	0.05	0.49	4.45	6.13

Estimated volume total, Calls 60 Puts 1
Previous day's open int, Calls 950 Puts 437

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Feb	Calls—Last Mar	Puts—Last Feb	Puts—Last Mar
16250	19.90	19.99	0.00	0.09
16500	17.41	17.57	0.01	0.17
16750	14.93	15.22	0.03	0.32
17000	12.49	12.96	0.09	0.56
17250	10.12	10.82	0.22	0.92
17500	7.89	8.84	0.49	1.44
17750	5.88	7.06	0.98	2.16
18000	4.14	5.50	1.74	3.10

Estimated volume total, Calls 0, Puts 0
Previous day's open int, Calls 0, Puts 0

EUROPEAN OPTIONS EXCHANGE

HOOGOVENS P	Fl.30	129	2	5	2.50	3	3.30	
KLM C	Fl.40	142	1.80	62	3	—	—	Fl.38.30
KLM P	Fl.45	205	7.50	22	7.80	—	—	
NAT. NED C	Fl.80	43	1.30	271	2.60	49	3.30	Fl.75.50
NAT. NED. P	Fl.75	95	2.60	53	3.30	1	4.70	
PHILIPS C	Fl.45	740	1.40	59	2.80A	4	4	Fl.43.30
PHILIPS P	Fl.45	481	3.30B	19	4.40	17	4.90	
ROYAL DUTCH C	Fl.220	966	4	283	5.60	25	6.80	Fl.217.40
ROYAL DUTCH P	Fl.210	762	2.90	342	7.50	22	8.30	
ROBECO C	Fl.95	17	3	—	—	—	—	Fl.96
ROBECO P	Fl.90	30	1.20	—	—	—	—	
UNILEVER C	Fl.540	149	5.20	46	11	4	17.50	Fl.507.50
UNILEVER P	Fl.480	149	5	50	10.50B	5	13.50	

TOTAL VOLUME IN CONTRACTS: For 27/1/87 29,161

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	11	● Charterhouse Bank	11	● Morgan Grenfell	11
Adam & Company	11	Citibank NA	11	Nat Credit Corp. Ltd.	11
Allied Arab Bk Ltd.	11	Citibank Savings	¶12.45	Nat Bk. of Kuwait	11
Allied Dunbar & Co	11	City Merchants Bank	11	National Girobank	11
Allied Irish Bank	11	Clydesdale Bank	11	Nat Westminster	11
American Exp. Bk.	11	Comm. Bk. N. East	11	Northern Bank Ltd.	11
Amro Bank	11	Consolidated Cred.	11	Norwich Gen. Trust	11
Henry Ansbacher	11	Co-operative Bank	*11	PK Finans. Intl (UK)	11½
ANZ Banking Group	11	Cyprus Popular Bk.	11	Provincial Trust Ltd.	12
Associates Cap Corp.	11	Duncan Lawrie	11	R. Raphael & Sons	11
Authority & Co Ltd.	11½	E. T. Trust	12	Roxburghe G'rantee	11½
Banco de Bilbao	11	Equator'l Tst C'p plc	11	Royal Bk of Scotland	11
Bank Hapoalim	11	Exeter Trust Ltd.	11½	Royal Trust Bank	11
Bank Leumi (UK)	11	Financial & Gen. Sec.	11	Standard Chartered	11
Bank Credit & Comm.	11	First Nat. Fin. Corp.	11½	Trustee Savings Bank	11
Bank of Cyprus	11	First Nat. Sec. Ltd.	11½	UDT Mortgage Exp.	¶12.25
Bank of Ireland	11	● Robert Fleming & Co	11	United Bk of Kuwait	11
Bank of India	11	Robert Fraser & Ptrs	12	United Mizrahi Bank	11
Bank of Scotland	11	Grindlays Bank	‡11	Westpac Banking Corp	11
Banque Belge Ltd.	11	● Guinness Mahon	11	Whiteaway Laidlaw	11½
Barclays Bank	11	HFC Trust & Savings	11	Yorkshire Bank	11
Benchmark Tst Ltd.	11	● Hambros Bank	11		
Beneficial Trust Ltd.	12	Heritable & Gen. Tst.	11		
Berliner Bank AG	11	● Hill Samuel	§11		
Brit. Bk. of Mid. East	11	C. Hoare & Co	11		
● Brown Shipley	11	Hongkong & Shanghai	11		
CL Bank Nederland	11	Lloyds Bank	11		
Canada Permanent	11	Mase Westpac Ltd.	11		
Cayzer Ltd	11	Meghraj & Sons Ltd.	11		
Cedar Holdings	12	Midland Bank	11		

● Members of the Accepting Houses Committee. * 7-day deposits 6.69%. 1-month 7.03%. Top Tier—£2,500+ at 3 months' notice 10.03%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 6.69%. Mortgage 12¼%.

MONEY MARKETS

UK rates steady in quiet trading

INTEREST RATES were little changed in London yesterday in quiet trading. Sterling was steady, mainly because the dollar was also confined to a narrow range. Today's UK trade figures could provide some influence but for the time being the market lacked any incentive. Three-month interbank money was quoted at 11⅛-11 per cent compared with 11$\frac{1}{16}$-10$\frac{15}{16}$ per cent. Overnight money opened at 11-10¾ per cent and eased to 10½ per cent before finishing at 11½ per cent.

UK clearing bank base lending rate 11 per cent since October 15

The Bank of England forecast a shortage of around £250m, with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £371m. These were partly offset by Exchequer transactions which added £90m and a fall in the note circulation of £25m. In addition banks brought forward balances £20m above target.

The forecast was revised to a shortage of around £300m and the Bank gave assistance in the morning of £134m through outright purchases of £43m of eligible bank bills in band 2 at 10$\frac{13}{16}$ per cent, £29m in band 3 at 10¾ per cent and £62m in band 4 at 10$\frac{11}{16}$ per cent.

The Bank gave additional assistance in the afternoon of £74m through outright purchases of £20m of eligible bank bills in band 1 at 10⅞ per cent, £43m in band 2 at 10$\frac{13}{16}$ per cent and £10m in band 3 at 10¾ per cent. In band 4 it bought £1m of Treasury bills at 10$\frac{11}{16}$ per cent. Late help came to £10m, making a total of £218m.

In Frankfurt the Bundesbank added an estimated DM 1bn-DM 2bn to the domestic money market through currency swaps in an effort to hold call money down. Upward pressure on rates had resulted from the usual draw on short term funds towards the end of the month and the Bundesbank seemed anxious to keep rates in line with last week's cut in the discount and Lombard rates.

Call money was trading at 4.10-4.30 per cent after the injection of funds. The latter run until January 30 and carries a rate of just over 4 per cent. Pension payments were seen as exacerbating the shortage although banks appeared to be well placed to meet their end of month minimum reserve requirements.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

LONDON SHARE SERVICE

BRITISH FUNDS

1986/87 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
100¾	97⅞	Treas 10¼pcCv '87	99⅞	.....	—	—
99⅞	92⅞	Exch 2½pc 1987	99⅞xd	+⅛	—	—
101⅛	97½	Exch. 10½pc 1987	99⅞		10.51	10.93
100⅞	93⅝	Funding 6½pc 85-87	99⅞	–⅛	6.55	9.40
101⅛	96⅞	Treas. 10pc 1987	99⅞	+⅛	10.05	10.60
97⅛	90⅝	Treas 3pc 1987	97⅞	–⅛	3.07	8.26
104½	99⅛	Treas. 12pc 1987	101⅛	.....	11.87	10.38
99⅛	92⅞	Treas 7¾pc 1985-88‡‡	98⅞xd	+⅛	7.90	9.81
104	96⅛	Exch 10½pc '88	100⅛	–⅛	10.48	10.35
102⅝	95⅛	Treas 9¾pc Cv '88	99⅞	–⅛	9.83	10.37
94⅛	86⅝	Transport 3pc '78-88	93⅛	.....	3.21	7.90
102⅝	93⅞	Treas. 9½pc '88	98⅞	+⅛	11.27	10.41
107⅞	98⅞	Treas 11½pc 1989	102⅞xd	.....	11.27	10.39
103½	93⅛	Treas 9½pc Cnv 1989	98⅞	–⅛	9.67	10.36
92⅛	82⅞	Treas 3pc 1989	90⅞	–⅛	3.33	7.83
105⅞	95⅞	Treas 10½pc 1989	100⅞	–⅛	10.47	10.33
104⅞	94⅛	Exch 10pc 1989	99⅞xd	–⅛	10.08	10.39
107⅞	97	Exch 11pc 1989	101⅞	+⅛	10.85	10.36
93⅞	84½	Treas 5pc 1986-89	90⅞	–⅛	5.52	8.96
110⅞	94⅝	Exch 10¼pcCv '89	101⅛	–⅛	10.10	9.63
114⅞	103⅞	Treas 13pc 1990‡‡	106⅛	–⅛	12.19	10.31
108⅛	97⅛	Exch 11pc 1990‡‡	101⅞xd	–⅛	10.80	10.29
[illegible]						

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

INSURANCES

LEISURE

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

IRISH

LONDON STOCK EXCHANGE

Equity sector reaches new peaks but Government bonds unsure ahead of trade figures

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Jan 12	Jan 22	Jan 23	Feb 2
Jan 26	Feb 5	Feb 6	Feb 16
Feb 9	Feb 19	Feb 20	Mar 2

* New time dealings may take place from 9.00 am two business days earlier.

The rebound in the Tokyo and New York stock markets brought a strong upswing in London yesterday taking the equity sector soaring to new peaks in one of the largest daily rises on record. International stocks were led by the oils, with **British Petroleum** attracting US buyers. Government bonds, however, remained cautious ahead of today's disclosure of the latest trade figures for the UK.

The FT ordinary index, which has lagged behind both the *FT All-Share* and FT-SE indices, burst through a new trading peak at mid-morning, and closed a net 30.4 higher at 1,441.6, a new all-time closing high, comfortably exceeding the previous peak of 1,425.9 achieved on April 3 last, and briefly touched last week.

Also at a new peak was the FT-SE 100 index, up 32.6 at 1,814.4.

With Wall Street firm overnight, and attracting bullish comment, US buyers came in for oil shares at the opening of the London market. The rest of the equity market rose sharply, although turnover was unexciting at first. The pace quickened when Wall Street opened with an early gain of 30 Dow points.

US buyers chased shares in **Jaguar, BAT Industries and Saatchi and Saatchi**, as well as the oil majors. But buying of ICI came from domestic sources, helped along by a bullish circular from a major London broker. **Glaxo** were relatively quiet.

US buying of **Racal**, in the wake of good trading results, helped to encourage widespread gains in the UK electrical issues.

A favourable planning enquiry report on the Sizewell B nuclear reactor project brought gains in **General Electric** (GEC), on turnover of 33m shares, and in **Babcock International**, both of which are major contractors for the project.

Disclosure that General Cinema of the US has been the mystery buyer of **Cadbury-Schweppes** shares, reawakened speculative interest in food shares, as well as steadying the nerves of a market still unsettled by the Guinness saga. Shares in **Guinness** improved.

Gilt-edged continued to reflect the uncertainty over the next move on the world currency front. With a cut in Japanese discount rate not yet visible, buyers backed off from UK Gilts. Prices opened ¼ off and moved narrowly to close a net ⅛ down.

Today's UK trade figures are expected to show a further deficit, and could upset sterling—which would in turn unsettle the Gilt-edged market.

Currency nervousness came into closer focus in gold shares, which moved up strongly behind a jump in the London bullion price, of $4 to $411.

Vaal Reefs, Driefontein, and most other producers responded vigorously to demand from London, Continental and US buyers. The FT Gold Shares index rose 4.4 to 322.9.

Standard Chartered became a volatile market in the banking sector, falling to 768p initially on nervous selling before rallying smartly to close only a few pence easier on balance at 779p; stockbrokers Wood Mackenzie suggest that Lloyds will not rebid and that Standard remain a "sell". Elsewhere, clearers traded higher with the general trend. **Lloyds** gained 10 at 502p and **NatWest** put on 9 at 586p. **TSB** rose 3¼ to 82¾ ahead of tomorrow's results. A combination of recovery and bid hopes lifted **Morgan Grenfell** 7 to 413p, while **Kleinwort Benson** continued to reflect recent Press comment and far-eastern stakebuilding speculation with a fresh improvement of 9 at 635p. Among Hire Purchases, **Equity and General** gained 1½ to 31½ on vague rumours of a large shareholding in the company changing hands.

Composites up again

Wood Mackenzies' comments on the sector's dividend growth and yield potential induced renewed support for Composites. Closing improvements were again accentuated by stock shortages and **Sun Alliance** ended 20 higher at 734p and **Royals** 15 better at 927p. **GRE** added 8 at 857p and **General Accident** firmed 11 to 895p. **Commercial Union** appreciated 6 at 303p. A BZW "buy" recommendation helped **Legal and General** advance 6 to 272p and **Prudential** rise 10 to 852p. Lloyds Brokers featured **Hogg Robinson** 9 up at 391p.

Breweries showed more confidence and several stocks recorded double-figure gains. **Bass** climbed 12 to 792p and **Greene King** bounded 15 to 299p. **Guinness** were well traded and settled 10 up at the day's best level of 288p. Elsewhere in the sector, gains rarely exceeded 4 with the exception of regional **J. A. Devenish**, 6 better at 224p.

Leading Buildings attracted renewed support especially those likely to benefit from Sizewell contracts. **Costain** were particularly firm on this score and rose 15 to 567p, while **Taylor Woodrow** moved up 10 to 338p. **George Wimpey** firmed 3 to 216p and **Alfred McAlpine** were a shade dearer at 443p. Elsewhere, **Tarmac** responded to reports of a broker's upgraded profits forecast with a rise of 10 at 460p, while **F. J. C. Lilley** put on 6 to 52p on the prospect of UK and overseas contracts worth some £16m. **McCarthy and Stone** attracted buyers at 359p, up 7 and **Randsworth Trust** gained 5 to 126p. **Bryant Holdings** shed 5 to 159p as the English China Clays bid lapsed.

Demand following a broker's recommendation lifted **ICI** ⅞ to £12¼; the results are due on February 26.

Burton, still reflecting the board's strong denial that the company is to be investigated by the DTI, rallied 13 more to 273p, while **Harris Queensway** moved up 8 to 198p and **Ratners** a further 10 to 262½p. **Laura Ashley** gained 4 to 178p and **Woolworth** put on 8 to 705p. Elsewhere in Stores, **Combined English** added 6 to 219p on news of Warburg Clients' increased stake in the company.

Racal pleases

Racal's better-than-expected interim profits and the chairman's confident statement regarding prospects sparked off heavy buying of Racal and other Electrical leaders. Around 29m **Racal** shares changed hands and the close was 19 higher at 218p, while sympathetic gains of 9 and 13 respectively were seen in **STC**, 199p, and **Plessey**, 212p. **GEC** were additionally spurred by hopes that its Turbine Generator division will benefit if the Sizewell B project is given the go ahead and the close here was 15 up at 209p. **BICC** ended 6 to the good at 317p and **Thorn EMI** gained 9 at 573p. **British Telecom** shrugged aside worries about the current all-out strike by its engineering workers and moved up 4 to 220p, while **Cable and Wireless** appreciated 8 at 357p. Elsewhere, **Automated Security** gained 11 to 243p on buying ahead of the forthcoming results. **Jones Stroud** put on 15 at 295p and **Brown Boveri Kent** added 4 at 108p. **Borland** relinquished 5 to 111p in belated response to the profits warning.

Among the Engineering leaders, **Hawker**, helped by the early strength on Wall Street, advanced 20 to 533p. **TI** staged a good revival at 561p, up 24p, on the proposed acquisition of the specialised European based small diameter tubing business of Armco Inc, of the US for approximately £27m. **Habit Precision**, still responding to the preliminary figures, improved 7 further to 112½p. **Wolseley**, reflecting persistent demand in a market none-too-well supplied with stock, advanced 17 to 660p, while **Ransomes Sims** were also noteworthy for a gain of 10 at 238p. **Babcock International**, expected to benefit if the go-ahead is given soon to build Sizewell B, advanced 8 to 204p. **Davy Corporation**, assisted by a Greenwell Montagu recommendation, rose 4 to 159p.

Cadbury Schweppes continued to trade actively in the wake of the announcement that General Cinemas of the US had acquired an 8.3 per cent stake and closed 3 higher at 228p. Other Food Manufacturers went better on revived takeover speculation, **Unigate** rising 6 to 345p and **United Biscuits** 4 to 257p. **Rank Hovis McDougall**, in which Goodman Fielder of Australia holds a sizable stake, gained 6 to 298p, while **S. and W. Berisford**, where Tate and Lyle and Ferruzzi of Italy are keen to acquire its British Sugar business, gained 13 to 261p. Food Retailers also made good progress as institutional support revived. **Tesco** moved up 8 to 432p, while **ASDA-MFI** put on 4½ to 149p and **Argyll** gained a similar amount to 363p. **Kwik Save** were a firm market at 258p, up 8, and **Albert Fisher** gained 15½ to 206p.

The Hotel majors moved with the general trend. **Trusthouse Forte** met with persistent buying interest at 206p, up 9 while **Ladbroke**, additionally boosted by a broker's recommendation, firmed 10 to 404p. **Queens Moat Houses** attracted support ahead of a company presentation and put on 5½ to 78p.

Encouraged by the steadier overnight trend on Wall Street, international stocks staged a useful revival. *Glaxo* led the way with a gain of ⅝ at £12⅝, while **Beecham** improved 12 to 471p, **Boots**, a good market last week on drug development hopes, were heavily traded (some 24m shares changed hands) and closed 11 to the good at 263p. Among other leading miscellaneous issues, **BOC** continued to attract buyers ahead of the first quarter figures expected next month and settled 17 better at 415p. Elsewhere, **Johnson Matthey** featured a gain of 13 at 258p on news that Charter Consolidated is to raise its stake in the company. **Charter Consolidated**, recommended by Sheppards and Chase as an excellent income stock, rose 10 to 325p, while Press mention *stimulated demand for Cape Industries* which advanced 12 to 96p. Renewed investment demand left **British Vita** up 12 further at 345p and **London International** advanced 7½ to 266½p partly on US buying. **Wellcome**, also an American favourite, improved 7 to 291p. **Lilleshall**, recommended in a newsletter on its property development potential, advanced 20 more to 250p. Reports of a broker's circular left **Dalgety** 13 to the good at 310p, but **British Bloodstock Agency**, reflecting lower interim profits, came under selling pressure and gave up 9 to 160p. **Turner and Newall** found support at 219p, up 8, while buying interest revived in **Rank Organisation**, 9 higher at 590p, awaiting Thursday's preliminary figures. **Smith and Nephew** were briskly traded before settling 5 to the good at 144½p. The second day of trading on the Third Market saw **Abelscot** advance 38 further to 238p.

Institutional support from both sides of the Atlantic pushed **Jaguar** up 17 to 588p but **Lucas Industries** *suffered as another securities* house lowered its 1986-87 profits forecast for the group. Greenwell Montagu is slightly cautious about short-term prospects and feels that the shares, a strong performer over the past few months, have risen far enough. Over the longer-term, however, their view is still one of confidence. Lucas closed a further 11 down at 520p. Among Distributors, **Frank G. Gates** responded to the land and property valuation, which revealed net assets of 167p per share, and later moved higher to 142p, for a gain of 20, following the increased offer of 140p cash per share from Giltrap Holdings.

Newspaper issues derived further benefits from Kleinwort Grieveson's recent circulars, **Associated** rising 20 more to 498p and **United** gaining 17 further to 475p. Paper/Printings produced fewer features, although **Delyn Packaging** raced up to 231p before closing a net 12 higher at 218p; the board said yesterday that it knew of no reason to account for the sudden strength of the share price. **Millward Brown** improved 9 to 160p and **Crown TV Products** hardened to 80p awaiting today's annual results. **Saatchi and Saatchi** enjoyed fresh US support and rose 30 to 810p.

Properties remained a relatively neglected market and gains were modest. **Land Securities** edged up 4 to 346p and **MEPC** hardened a penny to 344p. Among the secondliners, **Rush and Tompkins** firmed 9 to 240p and **Shield** 5 to 160p, while **Clayform** put on 5 to 260p on prospects of a land purchase. Possible acquisition news also boosted **Phoenix Properties** which touched 140p prior to closing 9 higher at 135p. **Local London** continued to reflect a broker's recommendation and rose 20 to 460p.

Courtaulds resumed their advance after Monday's slight hiccup and closed 8 higher at a peak 373p. **Allied Textile** also continued to improve, gaining 8 to 330p; the movement sparked off a sympathetic rise of 13 to 148p in **Bulmer and Lumb** which Allied now control after recently making a recommended offer for the company. **John Beales** firmed 7 further to 231p but **Sirdar** ran into offerings and lost 7 to 128p.

BAT Industries went higher with other internationals. Volume was heavier and the shares regained the previous session's loss to end 13 up at 495p.

Preliminary trading statements brought a favourable response in **Throgmorton Trust**, up at 354p, and in **Leda IT**, the capital shares of which rose 10 to 250p. Remaining Investment Trusts showed small gains but **Mercantile House**, in the Financial sector, fell on lower interim profits to 374p before rebounding late to end a net 5 up at 385p. Elsewhere, **Abingworth** moved up 9 to 258p and **Newmarket** put on 5 further to 148p.

Oils firmer

The oil majors benefited from firmer crude prices amid rumours of a major Iran/Iraq confrontation. **British Petroleum** rose 14 to 783p and **Shell** moved up ⅛ to £11. **Ultramar** were 5 higher at 180p and **Enterprise** 4 up at 19p. **Britoil** put on 4½ to 192p, while old takeover favourite **Tricentrol** gained 6 to 87p. Elsewhere, **Sovereign** advanced 5 to 66½p on speculative buying, while **Premier**, which recently sold its 11 per cent stake in Goal Petroleum, added 1¾ to 43¼. Ireland's **Conroy Petroleum** came under further selling pressure and dipped to 81p prior to closing 9 down at 91p on rumours that the company had encountered drilling difficulties in County Kilkenny.

A bullish circular from broking house Kitcat & Aitken encouraged strong advances in selected Overseas Traders. **Inchcape** were particularly favoured and rose 21 to 566p, while **Paterson Zochonis** advanced 17 to 317p. **Polly Peck** enjoyed an extension of the recent good run, gaining 8 more to 171p, while **Harrisons and Crosfield** moved up 5 to 515p.

The gold share sector came to life, as currency uncertainties were reflected in a gain of $4 to $411 in London bullion prices. Buyers came in from the producer *stocks* across the full range of the spectrum. During the early part of the session, it was UK, Cape and Continental sources which kept shares moving up. But the sector closed at the day's best levels when Wall Street opened strongly and American buyers joined the throng in the London gold share market.

All the traditionally-favoured South African producers found buyers, and the market was led by **Blyvoor, Buffelsfontein and Southvaal**.

Elsewhere in mines, **Minorco** rose sharply as the board disclosed that the stake in ConsGold has been increased to 28.34 per cent, by conversion of £13.8m of loan stock.

Traded Options

Racal dominated proceedings in the Traded Options market as operators took out call positions in the wake of the better-than-expected interim results. Of the 34,902 total number of calls done, 5,423 were done in Racal, while 3,232 calls were also transacted in **Boots**. **GEC**, reflecting Sizewell project hopes, attained 3,002 calls while 2,264 were done in the FTSE index.

Traditional Options

- **First dealings** Jan 19 Feb 2 Feb 16
- **Last dealings** Jan 30 Feb 13 Feb 27
- **Last declaration** Apr 23 May 7 May 28
- **For Settlement** May 5 May 18 June 8

For rate indications see end of Unit Trust Service

Stocks favoured for the call included **Phoenix Properties, British Benzol, TV-am, Apricot Computer, Richardsons Westgarth, F. Gates, Unilock, First Charlotte, F. J. C. Lilley, Hampton Trust, Times Veneer, BT, Amstrad, S. Banks, Sound Diffusion, British Gas, Harris Queensway, ASDA-MFI, BPCC, H. Cory, ICI, Glaxo, Burton, Stoddard A, Argyle Trust, Avesco, Blacks Leisure, Peek Holdings, Folkes N/V, J. Israel** and **Theme Holdings**. No puts or double options were reported.

FINANCIAL TIMES STOCK INDICES

	Jan. 27	Jan. 26	Jan. 23	Jan. 22	Jan. 21	Year ago	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Government Secs	85.37	85.49	85.63	85.74	85.80	81.15	94.51 (18/4/86)	80.39 (20/1/86)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	91.35	91.75	91.61	91.78	91.71	87.15	97.68 (7/7/86)	86.55 (23/1/86)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,441.6	1,411.2	1,425.9	1,404.1	1,386.7	1,155.4	1,441.6 (27/1/87)	1,094.3 (14/1/86)	1,441.6 (27/1/87)	49.4 (26/6/40)
Gold Mines	322.9	318.5	322.7	323.8	328.0	347.7	357.8 (22/9/86)	185.7 (18/7/86)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.96	4.03	4.00	4.07	4.12	4.46				
Earnings Yld.%(full)	9.30	9.47	9.37	9.54	9.66	10.86				
P/E Ratio (net) (*)	13.18	12.94	13.08	12.84	12.68	11.47				
SEAQ Bargains (5 pm)	35,800	37,845	43,119	36,066	34,294	—				
Equity Turnover (£m)	—	1,188.27	1,386.26	1,538.28	1,184.17	616.09				
Equity Bargains	—	46,908	53,620	43,569	45,651	26,318				
Shares Traded (ml)	—	490.4	566.3	560.4	441.7	290.4				

S.E. ACTIVITY

Indices	Jan. 26	Jan. 23
Gilt Edged Bargains	138.4	142.3
Equity Bargains	309.9	347.4
Equity Value	2401.8	2802.07
5-Day Average		
Gilt Edged Bargains	146.4	148.8
Equity Bargains	310.8	325.9
Equity Value	2644.4	2645.4

♥ Opening 1420.2 | 10 a.m. 1420.4 | 11 a.m. 1424.0 | Noon 1428.8 | 1 p.m. 1429.1 | 2 p.m. 1428.5 | 3 p.m. 1433.7 | 4 p.m. 1437.9

Day's High 1441.6. Day's Low 1419.6

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=12.70.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1986-87

NEW HIGHS (282)

BRITISH FUNDS (1), AMERICANS (2), CANADIANS (4), BANKS (3), BREWERS (2), BUILDINGS (12), CHEMICALS (7), STORES (11), ELECTRICALS (11), ENGINEERING (11), FOODS (12), HOTELS (2), INDUSTRIALS (51), INSURANCE (4), LEISURE (17), MOTORS (10), NEWSPAPERS (6), PAPER (9), PROPERTY (13), SHIPPING (1), SHOES (3), TEXTILES (7), TRUSTS (62), OILS (4), OVERSEAS TRADERS (5); MINES (12).

NEW LOWS (3)

BANKS (1), MCorp; BREWERS (1), Invergordon; TEXTILES (1), Sirdar.

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

	Tuesday January 27 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Mon Jan 26 Index No.	Fri Jan 23 Index No.	Thurs Jan 22 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (209)	769.79	+2.6	8.21	3.42	15.43	0.74	750.46	758.86	749.76	589.36
2 Building Materials (27)	923.73	+1.0	6.47	3.35	18.82	1.14	914.35	919.58	913.34	636.36
3 Contracting, Construction (28)	1313.87	+1.2	7.32	3.57	18.79	0.34	1295.95	1301.67	1291.13	928.04
4 Electricals (12)	1931.17	+1.7	7.80	4.06	16.45	0.00	1899.48	1927.22	1918.10	1631.88
5 Electronics (38)	1756.17	+5.2	8.16	2.34	16.27	5.15	1668.71	1699.48	1664.61	1424.74
6 Mechanical Engineering (61)	437.18	+1.4	8.34	3.63	15.72	0.17	431.10	435.43	430.32	327.15
8 Metals and Metal Forming (7)	399.45	+2.1	9.15	3.72	13.28	0.00	391.34	397.09	395.30	263.35
9 Motors (15)	300.21	+1.0	9.17	3.49	12.58	0.00	297.18	301.34	293.32	230.24
10 Other Industrial Materials (21)	1291.14	+3.5	7.02	4.27	17.02	0.00	1249.35	1261.28	1257.27	1084.03
21 CONSUMER GROUP (186)	1034.17	+1.6	7.10	3.06	18.08	0.95	1017.75	1025.76	1012.35	777.08
22 Brewers and Distillers (22)	976.80	+1.5	8.70	3.55	14.65	0.00	962.25	967.66	961.73	787.53
25 Food Manufacturing (25)	790.75	+1.3	8.42	3.55	14.53	1.18	780.30	784.64	774.66	575.53
26 Food Retailing (16)	1965.58	+1.6	6.84	2.77	20.30	9.50	1935.50	1967.32	1969.87	1693.74
27 Health and Household Products (10)	1891.68	+2.0	5.02	2.01	23.09	0.82	1854.01	1877.78	1824.07	1308.94
29 Leisure (31)	1113.73	+1.4	6.86	3.71	19.12	0.73	1087.46	1092.39	1076.40	735.51
31 Packaging & Paper (14)	554.62	+0.4	6.41	3.02	20.26	0.38	551.58	556.41	551.86	379.49
32 Publishing & Printing (14)	3177.22	+2.1	6.39	3.59	20.12	3.41	3112.11	3134.32	3113.13	1915.82
34 Stores (37)	875.83	+1.4	7.16	3.08	18.42	0.25	864.01	867.75	861.55	744.89
35 Textiles (17)	633.12	+1.2	8.33	3.24	15.81	0.00	625.62	628.02	608.99	419.83
40 OTHER GROUPS (87)	877.98	+1.6	8.65	3.75	14.26	0.52	864.37	872.63	866.86	713.85
41 Agencies (17)	1220.58	+1.5	4.70	1.79	28.98	0.30	1202.99	1212.93	1192.26	[illegible]
42 Chemicals (21)	1136.74	+1.7	7.81	3.71	15.59	2.85	1117.21	1127.75	1110.18	772.81
43 Conglomerates (13)	1150.48	+0.7	7.50	3.79	15.82	0.15	1142.88	1151.80	1144.84	[illegible]
45 Shipping and Transport (10)	1719.82	+0.4	6.35	4.02	20.59	0.00	1712.38	1703.33	1672.79	1389.90
47 Telephone Networks (2)	881.37	+1.9	10.61	4.37	12.85	0.00	864.54	872.96	875.54	863.57
48 Miscellaneous (24)	1202.81	+2.0	9.96	3.44	16.34	0.00	1178.61	1197.92	1193.58	[illegible]
49 INDUSTRIAL GROUP (482)	935.24	+1.8	7.80	3.34	16.34	0.71	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (18)	1634.92	+1.8	10.42	5.54	12.14	0.00	1614.33	1622.73	1594.30	1161.50
59 500 SHARE INDEX (500)	994.49	+1.8	8.18	3.64	15.48	0.72	977.26	985.66	973.83	757.62
61 FINANCIAL GROUP (117)	659.03	+1.3	—	4.27	—	0.33	651.78	651.67	649.39	518.80
62 Banks (8)	719.45	+1.2	17.29	5.46	7.94	0.00	710.92	716.40	714.33	505.77
65 Insurance (Life) (9)	922.00	+1.3	—	4.16	—	0.00	910.42	908.56	907.81	782.82
66 Insurance (Composite) (7)	507.17	+1.7	—	4.28	—	0.00	498.74	488.51	494.50	414.31
67 Insurance (Brokers) (9)	1230.51	+1.2	7.76	4.31	16.75	0.00	1216.99	1204.14	1188.15	[illegible]
68 Merchant Banks (11)	385.49	+0.7	—	3.44	—	0.00	382.95	381.14	380.03	274.70
69 Property (47)	829.58	+0.3	5.76	3.51	22.60	0.85	826.95	827.88	827.12	658.46
70 Other Financial (25)	404.28	+0.8	7.48	3.76	16.87	0.61	401.33	402.75	401.79	292.59
71 Investment Trusts (96)	916.05	+0.6	—	2.50	—	0.60	910.23	914.69	910.00	693.73
81 Mining Finance (2)	375.53	+0.7	8.32	4.27	14.13	0.00	373.00	371.48	372.89	267.00
91 Overseas Traders (12)	849.93	+2.1	9.38	5.34	12.92	0.00	834.21	833.13	827.96	604.90
99 ALL-SHARE INDEX (727)	904.21	+1.6	—	3.72	—	0.61	889.97	896.04	886.96	689.40

	Index No.	Day's Change	Day's High	Day's Low	Jan 26	Jan 23	Jan 22	Jan 21	Year ago
FT-SE 100 SHARE INDEX ♦	1814.4	+32.6	1814.4	1791.4	1781.8	1795.5	1777.5	1761.6	1778.9	1426.3

FIXED INTEREST

PRICE INDICES	Tues Jan 27	Day's change %	Mon Jan 26	xd adj. today	xd adj. 1987 to date
British Government					
1 5 years	120.79	−0.01	120.81	—	[illegible]
2 5-15 years	134.73	−0.14	134.92	—	1.37
3 Over 15 years	142.08	—	142.09	—	0.41
4 Irredeemables	154.81	−0.45	154.70	—	[illegible]
5 All stocks	132.40	−0.08	132.51	—	1.04
Index-Linked					
6 5 years	117.83	+0.01	117.02	—	0.00
7 Over 5 years	113.76	−0.07	113.84	—	0.36
8 All stocks	114.26	−0.06	114.33	—	0.34
9 Debentures & Loans	117.26	−0.26	117.56	—	0.14
10 Preference	81.65	−0.29	81.89	—	0.22

AVERAGE GROSS REDEMPTION YIELDS	Tues Jan 27	Mon Jan 26	Year ago (approx.)
British Government			
1 Low Coupons 5 years	[illegible]	[illegible]	[illegible]
2 15 years	[illegible]	[illegible]	[illegible]
3 25 years	[illegible]	[illegible]	[illegible]
4 Medium Coupons 5 years	[illegible]	[illegible]	[illegible]
5 15 years	[illegible]	[illegible]	[illegible]
6 25 years	[illegible]	[illegible]	[illegible]
7 High Coupons 5 years	[illegible]	[illegible]	[illegible]
8 15 years	[illegible]	[illegible]	[illegible]
9 25 years	[illegible]	[illegible]	[illegible]
10 Irredeemables	[illegible]	[illegible]	[illegible]
Index-Linked			
11 Inflat'n rate 5% 5 yrs	[illegible]	[illegible]	[illegible]
12 Inflat'n rate 5% Over 5 yrs	[illegible]	[illegible]	[illegible]
13 Inflat'n rate 10% 5 yrs	[illegible]	[illegible]	[illegible]
14 Inflat'n rate 10% Over 5 yrs	[illegible]	[illegible]	[illegible]
15 Debs & Loans 5 years	[illegible]	[illegible]	[illegible]
16 15 years	[illegible]	[illegible]	[illegible]
17 25 years	[illegible]	[illegible]	[illegible]
18 Preference	[illegible]	[illegible]	[illegible]

♦Opening index 1791.4; 10 am 1792.8; 11 am 1797.5; Noon 1802.2; 1 pm 1801.8; 2 pm 1801.1; 3 pm 1808.0; 3.30 pm 1810.7; 4 pm 1810.3.

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

LONDON TRADED OPTIONS

Option		Calls Apr.	Calls Jly.	Calls Oct.	Puts Apr.	Puts July	Puts Oct.
Allied Lyons (*339)	280	70	78	—	2	3	—
	300	52	60	70	2½	7	11
	330	32	40	48	10	18	20
	360	11	22	28	27	30	33
B.P. (*791)	650	150	160	—	2	5	—
	700	100	117	—	7	12	—
	750	58	77	100	22	28	37
	800	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Gas, Cons. Gold, Courtaulds, Com. Union, Cable & Wire, G.E.C., Grand Met., I.C.I., Land Securities, Marks & Spen., Shell Trans., Trafalgar House, TSB, Woolworth	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Feb.	Calls May.	Calls Aug.	Puts Feb.	Puts May.	Puts Aug.
Ladbroke (*401)	330	75	82	92	0½	2	3
	360	46	53	63	1½	5	8
	390	18	32	43	6	15	18
	420	5	18	27	23	32	37
LASMO (*171)	140	33	37	43	1	4	5
	160	15	25	30	4	8	13
	180	5	15	21	16	20	23
Midland Bk., P. & O., Racal, R.T.Z., Vaal Reefs, Tr. 11¼% 1991, Tr. 11¾% 03/07, Beecham, Boots, BTR, Blue Circle, De Beers, Dixons, Glaxo, Hanson, Lonrho, Tesco, Thorn EMI, Bass, GKN, Jaguar, Brit. Aero, BAT Inds, Barclays, Brit. Telecom, Cadbury Schweppes, Guinness, FT-SE Index	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

January 27. Total Contracts 42,775. Calls 34,902. Puts 6,273. FT-SE Index, Calls 2,264 Puts 1,362. *Underlying security price.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 6 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	5,800	149	+4½	Ladbroke	410	404	+10
Allied Lyons	949	339	+2	Land Securities	1,000	346	+4
Amstrad	4,100	152	+4	Legal & Gen.	1,100	272	+6
Assoc. Brit. Foods	979	315	+3	Lloyds Bank	1,400	502	+10
BAT	3,800	495	+13	Lonrho	1,100	259	+2
BET	85	485	+2	Marks & Spncr	3,000	195	—
BOC	5,300	415	+17	Midland Bank	990	603	+4
BPB Inds	349	567	−1	NatWest Bank	2,700	586	+9
BTR	4,300	289	+14	Pearson	1,600	583	+1
Barclays	2,100	533	+4	P & O	1,200	565	−2
Bass	379	792	+12	Pilkington Bros	1,700	667	+6
Beecham	2,379	471	+12	Plessey	11,500	212	+13
Blue Circle	134	686	+3	Prudential	1,700	854	+12
Boots	29,000	263	+11	Racal	28,750	218	+19
Brit. Aero	601	583	+4	Rank Org.	503	590	+9
Brit. Gas	34,000	70	+¼	RHM	332	298	+6
Britoil	9,800	192	+4½	Reckitt & Col	172	945	+15
BP	4,000	795	+14	Redland	361	444	+5
Brit. Telecom	6,000	220	+4	Reed Intl.	1,200	357	+7
Burton	7,700	273	+13	Reuters	195	594	+6
Cable & Wire	2,700	357	+8	RTZ	594	749	+2
Cadbury Schwps	6,900	228	+3	Rowntree Mac	2,800	473	+9
Coats Viyella	1,200	552	+6	Royal Insurance	1,100	927	+15
Comm. Union	3,750	303	+6	STC	4,900	199	+9
Cons. Gold	1,900	770	+10	Saatchi & Saatchi	869	810	+30
Cookson	1,600	548	+15	Sainsbury	619	438	+4
Courtaulds	1,700	373	+7	Scott & Newcastle	900	212	+4
Dee Corp	1,500	225	+1	Sears	5,600	125¼	+1¼
Dixons Grp	1,900	315	+3	Sedgwick	512	336	+4
Fisons	950	605	+9	Shell Trans	2,000	£11	+⅛
Gen. Accident	192	895	+11	Smith & Nephew	9,300	144½	+45
Gen. Elect.	34,500	209	+15	Standard Chart.	1,950	779	−3
Glaxo	950	£12⅝	+⅝	Storehouse	2,000	272	+3
Granada	1,700	341	+10	Sun Alliance	1,300	734	+20
Grand Met	1,678	469	+5	TSB	8,800	82¾	+3¼
Gus "A"	378	£11⅛	—	Tarmac	1,800	460	+10
Guardian R.E.	122	857	+8	Tesco	2,000	432	+8
GKN	2,200	293	+4	Thorn EMI	1,400	573	+9
Guinness	7,700	288	+10	Trafalgar House	6,600	300	+5
Hanson Trust	8,400	145½	+1	T'house Forte	6,300	206	+9
Hawker Sidd	1,500	533	+20	Unilever	48	£22⅞	+⅞
Hillsdown Hlgs	1,000	230	+1	United Biscuits	1,100	257	+4
ICI	2,900	£12¼	+⅞	Wellcome	3,500	291	+7
Imp. Cont. Gas	920	588	−4	Whitbread 'A'	1,300	286	+3
Jaguar	1,400	588	+17	Woolworth	1,200	705	+8

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	14	92	6
Corporations, Dominion and Foreign Bonds	3	2	66
Industrials	676	316	543
Financial and Properties	233	89	264
Oils	39	23	51
Plantations	1	4	9
Mines	81	33	69
Others	61	61	55
Totals	1,108	620	1,063

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1986/87 High	1986/87 Low	Stock	Closing Price p	+ or −	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
‖‖	F.P.	30/1	75	65	‡Avesco (Reg) 1p	75	+1	L0.5	6.6	0.9	19.2
¶¶	F.P.	—	32	24	Benson (SGB)	30	......	bd0.5	3.2	2.3	18.7
‖‖	F.P.	—	63	37	‡Border TV	57	......	2.5	3.2	6.2	7.1
135	50	20/2	72¼	61	British Gas	70	+1	w6.5	2.1	5.9	11.2
§94	F.P.	6/1	115	114	‡Gaynor Group 10p	114	......	L2.67	2.8	3.3	15.4
§95	F.P.	19/2	119	105	‡Halls Homes & Gdns 5p	119	......	R2.77	2.7	3.3	13.1
§23	F.P.	5/1	29	24	‡Harmony Leisure 5p	29	......	10.1	12.4	0.5	23.3
§100	F.P.	14/2	121	98	‡Hornby Group 5p	99	......	R3.195	2.8	4.5	11.3
§128	F.P.	30/1	170	146	Hoskyns Group 5p	170	+3	u1.6	4.7	1.3	22.7
§65	F.P.	21/1	80	65	Logitek 5p	80	......	R1.8	3.8	3.2	11.7
§144	F.P.	23/1	152½	144½	MIL Research 5p	152½	+1½	R3.0	3.4	2.8	14.8
§102	F.P.	—	113	104	‡Mayborn Group 5p	111	......	R3.2	3.0	4.1	11.5
150	75	—	78	75	Mezzanine Tst. Inc.	77	......	at10.4	—	9.6	—
50	F.P.	—	53	50	Do. Capital 50p	51	......	at10.4	—	11.6	—
‖‖	F.P.	—	52	52	Moltitrust	52	......		—	—	—
§100	F.P.	—	104	101	Paribas French Inv. Tst.	104	+1	—	—	—	—
170	F.P.	19/12	252	193	‡Spandex 10p	247	−5	ud3.0	2.7	1.7	31.0
§135	F.P.	9/1	143	138	Sumit £1	138	......	u3.5	1.7	3.6	—
70	F.P.	9/1	113	90	‡TSB Channel Islands	108½	+½	R3.92	3.7	4.5	7.5
§112	F.P.	8/1	125	119	‡Tribble Harris $0.01	120	......	RQ3.6c	2.8	2.0	17.6
§130	F.P.	27/2	178	148	Viking Packaging 10p	178	+10	u3.5	3.0	2.8	17.2
§135	F.P.	23/1	161	138	Wilding Office 10p	158	......	u3.25	2.3	2.9	20.8

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986/87 High	1986/87 Low	Stock	Closing Price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. [illegible]

WORLD STOCK MARKETS

AUSTRIA
[illegible]

BELGIUM/LUXEMBOURG
[illegible]

DENMARK
[illegible]

FINLAND
[illegible]

NETHERLANDS
[illegible]

GERMANY
[illegible]

ITALY
[illegible]

FRANCE
[illegible]

NORWAY
[illegible]

SPAIN
[illegible]

SWEDEN
[illegible]

SWITZERLAND
[illegible]

AUSTRALIA
[illegible]

AUSTRALIA (continued)
[illegible]

HONG KONG
[illegible]

JAPAN
[illegible]

JAPAN (continued)
[illegible]

SINGAPORE
[illegible]

SOUTH AFRICA
[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO
Closing prices January 27

[illegible]

F—No voting rights or restricted voting rights.

MONTREAL
Closing prices January 27

[illegible]

Total Sales 11,415,495 shares

Indices

NEW YORK Dow Jones
[illegible]

STANDARD AND POORS
[illegible]

N.Y.S.E. ALL COMMON
[illegible]

TORONTO
[illegible]

[illegible]

** Saturday January 24: Japan Nikkei 19,539.5. TSE 1,677.12. Base values of all indices are 100 except Brussels SE—1,000. JSE Gold—255.7. JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors 10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials plus 40 Utilities, 40 Financial and 20 Transports. c Closed. u Unavailable.

LONDON — Most Active Stocks
Tuesday, Jan 27, 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
Gen Elect	34.5m	209	+15	Smith & Nephew	9.3m	144½	+ 5
Brit Gas	34.0m	79	+ ¾	TSB	8.8m	87¾	+ 3¼
Boots	29.8m	283	+17	Hanson Trust	8.4m	145½	+ 1
Racal	28.75m	218	+19	Burton	7.7m	273	+13
Plessey	11.5m	212	+13	Guinness	7.7m	288	+10

NYSE-Consolidated 1500 Actives

	Stocks Traded	3.30p.m. Price	Change on Day		Stocks Traded	3.30p.m. Price	Change on Day
Hewlt-Pack	3.1m	48⅛	− ⅜	ATT	1.7m	26¼	− ⅛
So West For	2.4m	31⅛	+7½	Travelers	1.7m	48⅞	+ ¾
IBM	1.8m	129⅜	+2⅛	Phelnt Aol	1.7m	57¼	+7⅜
Boeing	1.8m	48½	−1½	Tex Com Bk	1.5m	27¾	+ ¼
Interfirst	1.7m	4⅝	− ⅛	Nat Semi	1.5m	13¾	+ ⅜

Advances 1,085 Declines 472

OVER-THE-COUNTER
Nasdaq national market, closing prices

Continued from Page 37

[illegible]

N. AMERICAN QUARTERLIES

BELLSOUTH
Telecommunications

Fourth quarter	1986 $	1985 $
Revenue	2.8bn	2.7bn
Net profits	301.1m	333.4m
Net per share	1.14	1.09
Year		
Revenue	11.4bn	10.7bn
Net profits	1.6bn	1.4bn
Net per share	5.06	4.89

BLACK & DECKER
Power tools

First quarter	1986-87 $	1985-86 $
Revenue	520m	521m
Net profits	22.4m	20.9m
Net per share	0.38	0.41

CETUS
Biotechnology

Second quarter	1986-87 $	1985-86 $
Revenue	9.8m	10.5m
Net profits	†27.8m	812,600
Net per share	†1.07	0.03
Six months		
Revenue	17.1m	18.4m
Net profits	†30.5m	720,900
Net per share	†1.18	0.03

†Loss

CALFED
Savings and loans

Fourth quarter	1986 $	1985 $
Revenue	—	—
Net profits	34.8m	31.2m
Net per share	1.39	1.37
Year end		
Revenue	—	—
Net profits	164.4m	134.7m
Net per share	7.03	6.02

DOW JONES
Business publishing, newspapers

Fourth quarter	1986 $	1985 $
Revenue	312m	279m
Net profits	45.5m	40.9m
Net per share	0.45	0.42
Year		
Revenue	1.13bn	1.04bn
Net profits	183.4m	138.8m
Net per share	1.89	1.43

GATX
Railroad leasing

Fourth quarter	1986 $	1985 $
Revenue	147.8m	140.2m
Net profits	9.7m	5.0m
Net per share	1.01	0.54
Year		
Revenue	533.1m	554.5m
Net profits	28.7m	†45.5m
Net per share	2.40	†3.80

†Loss

HARRIS BANKCORP*
Banking

Fourth quarter	1986 $	1985 $
Revenue	—	—
Net profits	12.9m	15.2m
Net per share	1.95	2.28
Year end		
Assets	10.28bn	9.28bn
Net profits	68.2m	57.5m
Net per share	10.22	8.63

* owned by Bank of Montreal

INGERSOLL-RAND
Air compressors, industrial eqpt.

Fourth quarter	1986 $	1985 $
Revenue	788.4m	728.9m
Net profits	34.4m	32.1m
Net per share	1.66	1.56
Year		
Revenue	2.8bn	2.64bn
Net profits	94m	79.6m
Net per share	4.48	3.78

PACIFIC TELESIS
Telecommunications

Fourth quarter	1986 $	1985 $
Revenue	2.2bn	2.2bn
Net profits	237.4m	208.2m
Net per share	1.10	0.97
Year		
Revenue	8.9bn	8.5bn
Net profits	1.1bn	929.1m
Net per share	5.02	4.54

PENN CENTRAL
Electronics, telecommunications, energy

Fourth quarter	1986 $	1985 $
Revenue	613.1m	665.6m
Net profits	76.6m	27.2m
Net per share	1.99	0.66
Year		
Revenue	2.38bn	2.53bn
Net profits	154.2m	110.8m
Net per share	3.95	2.76

PPG
Glass products

Fourth quarter	1986 $	1985 $
Revenue	1.2bn	1.09bn
Net profits	72.9m	59m
Net per share	1.22	1
Twelve months		
Revenue	4.68bn	4.34bn
Net profits	316.4m	302.7m
Net per share	5.32	4.54

PRIME COMPUTER
Computer eqpt.

Fourth quarter	1986 $	1985 $
Revenue	230.9m	209.8m
Net profits	14.2m	17.5m
Net per share	0.29	0.36
Year		
Revenue	860.2m	769.7m
Net profits	46.9m	57.8m
Net per share	0.97	1.20

SOUTHWEST AIRLINES
Passenger carrier

Fourth quarter	1986 $	1985 $
Revenue	194m	178.7m
Net profits	9m	6m
Net per share	0.28	0.18
Year		
Revenue	768.8m	679.7m
Net profits	50m	47.3m
Net per share	1.55	1.54

TEXACO CANADA
Oil and gas

Fourth quarter	1986 C$	1985 C$
Revenue	800m	1.1bn
Net profits	75m	98m
Net per share	0.62	0.82
Year		
Revenue	2.8bn	4.3bn
Net profits	283m	330m
Net per share	2.34	2.74

TRINOVA*
Plastics, fluid power

Fourth quarter	1986 $	1985 $
Revenue	370m	329.8m
Op. net profits	9.5m	16.3m
Op. net per share	0.56	0.73
Year		
Revenue	1.45bn	1.23bn
Op. net profits	36.2m	55.1m
Op. net per share	1.57	2.74

* formerly Libbey-Owens-Ford

VARIAN ASSOCIATES
Semiconductor equipment

First quarter	1986-87 $	1985-86 $
Revenue	214.9m	212.6m
Net profits	7.9m	1.7m
Net per share	0.37	0.08

LONDON
Chief price changes (in pence unless otherwise indicated)

RISES

Assoc News	498	+20
Auto Sec	243	+11
BOC	415	+17
Burton	273	+13
Cape Inds	96	+12
Dalgety	310	+13
Delyn Pckng	218	+12
Gates (F G)	142	+20
GEC	209	+15
G. King	299	+15
Guinness	288	+10
H. Queens	198	+ 8
H Siddeley	533	+20
ICI	£ 12	+ ³⁄₁₆
Inchcape	566	+21
J. Matthey	258	+13
Lilley (F.J.C.)	52	+ 6
LASMO	172½	+ 9½
Mill Brown	160	+ 9
P. Zochonis	315	+17
Phoenix Props	135	+ 9
Plessey	212	+13
Racal Elec.	218	+19
Ratners	262½	+10
S. & Saatchi	810	+30
STC	199	+ 9
TI	561	+24
Utd News	475	+17

FALLS

Conroy Pet	91	− 9
Sirdar	128	− 7

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28¾	17	AAR s	.50	1.8	20	x145	27⅞	27½	27⅞	+½
30½	21⅞	AOT	.92	3.2		180	28¾	28¼	28¾	+⅝
36⅝	17¾	AFG s	.12	.3	11	846	u37½	35⅝	37½	+2⅛
34⅞	18¾	AGS			22	213	33⅝	32¼	33¼	+¾
15	6¾	AMCA				10	7	7	7	+⅛
62⅛	46	AMR			13	5304	59⅝	58¾	59½	+⅝
16½	10	ARX	.71t	6.2	11	57	11½	11¼	11½	+⅛
42⅛	28¾	ASA	2a	4.8		984	41½	40⅝	41⅝	+1⅛
18⅝	9¾	AVX		2.2		397	14⅞	14⅞	14⅞	
32	26	AZP	2.72	9.0	10	x1469	30¼	30	30⅛	−⅛
55	31⅝	AbtLb s	.84	1.6	23	4538	54¼	53¼	54⅛	+1⅛
32	25	AccoWd	.62	2.2	18	109	28⅛	28	28	
14⅞	9	AcmeC	.40	3.4	22	x183	11⅞	11½	11¾	
9¼	6⅞	AcmeE	.32b	4.1	27	41	7¾	7½	7¾	+⅜
23⅞	17½	AdaEx	3.43e	16.		85	21	20½	21	+⅝
16⅝	9¾	AdmM s				30	14¾	14½	14½	−½
20⅝	12⅛	AdvSys	.60t	3.3	15	122	18¾	18⅛	18⅝	
32⅞	12⅞	AMD			6	6057	18⅛	17⅜	17¾	+⅛
11⅞	5¼	Adobe				469	8	7¾	8	+⅜
17⅞	13¾	Adob pf	1.84	10.		219	u17¾	17	17¾	+¾
20⅝	16⅝	Adob pf	2.40	12.		19	20⅜	20⅛	20⅜	+¼
18⅝	11½	Advest	.12a	.9	11	1967	15⅜	13	13⅝	+⅝
66¼	53	AetnLf	2.64	4.3	9	3515	61⅞	61¼	61½	+⅛
54⅝	51⅛	AetL pf	3.94e	7.5		1470	52½	52⅜	52⅜	−¼
42	18	AfilPb s	.32	.8	40	349	41½	40⅝	41½	+1¼
26¾	18¼	Ahmns s	.46	2.0	7	15646	23¼	20¾	22¾	+1½
5¾	2⅞	Aileen				7	4	4	4	
41⅞	29⅛	AirPrd s	.80	1.9	16	2362	41¾	40¾	41½	+¾

Continued on Page 37

NYSE COMPOSITE CLOSING PRICES

Continued from Page 36

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
[illegible]										
16⅞	10⅛	Sabine	.04	.3		94	16⅛	15⅝	15⅞	−⅛
14⅞	10⅞	SabnR	1.43e	10.	8	68	14	13¾	14	
16⅞	10	SfgdSc			17	104	15⅞	15½	15¾	−⅛

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
[illegible]										
29¾	17	TriInd pf.12		.4		15	27¼	27	27	−¼
78	51¾	Tribune	.20	1.8	9	1157	68	65⅝	67¾	+1⅝
4⅛	1⅞	Tricntr	.04e	1.5		647	2¾	2½	2⅝	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, closing prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 35

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Wide buying as bullish mood returns

THE BULLS returned to Wall Street yesterday, pushing up stock prices on a broad front in heavy trading, *writes Roderick Oram in New York.*

In contract, bond prices were little changed in quiet trading as investors, wary about the weak dollar's impact on foreign demand for US securities, waited for today's news about the next Treasury auctions.

The Dow Jones industrial average closed up 43.17 points at 2,150.45. It jumped more than 20 points shortly after the opening and added slowly to its gains through the session. Buying was evident across a wide range of stocks. The Standard & Poor's 500 gained 4.16 points to 273.75 and the New York and American stock exchanges' composite indices added 2.22 to 155.85 and 3.74 to 297.83 respectively.

NYSE volume surged to 192.3m shares with advancing issues outpacing those declining by a ratio of five-to-one.

The market tone was more positive than on Monday when investors had been very subdued in the wake of last Friday's turmoil. Institutional interest was somewhat patchy yesterday but the overall picture was helped by buying related to stock index futures. Some analysts had been expecting a longer period of consolidation after Friday's steep drop in prices.

Among blue chips, Allied Signal was up $1⅜ to $46⅞, Du Pont added $¾ to $97⅞, Eastman Kodak rose $1½ to $76¼, IBM advanced $2¼ to $129¾. General Motors was up $1¼ to $71¼ and Sears. Roebuck gained $⅞ to $45¾.

Generally speaking stocks which should benefit from the lower dollar and high technology stocks were among the better performers yesterday.

The Dow transportation average was also advanced strongly closing up 19.38 at 884.93 helped by rising airline stocks. Delta rose $2¼ to $57½ on an analyst's buy recommendation, UAL edged up $⅛ to $55¾ after reporting a loss in the latest quarter, NWA added $1⅛ to $66 and USAir gained $⅛ to $39¾.

Norfolk and Southern, a railway holding company and component of the average, lost $2 to $90⅛ on news it might buy Piedmont Aviation which jumped $8½ to $58.

In other takeover news, Southwest Forest Industries was one of the most active NYSE shares on volume of 2.7m shares. It jumped $7½ to $31¼ after agreeing to a $32½ a share offer from Stone Container which gained $2 to $74¼.

Weyerhaeuser, a leading forest products company, advanced $2⅛ to $48. It reported improved earnings and forecast an even stronger performance this year.

A sharp up turn in earnings at Merck and Werner-Lambert boosted drug stocks generally. Merck added $2⅞ to $136⅞, Warner-Lambert gained $3¾ to $69, SmithKline Beckman rose $3 to $104½, Eli Lilly was ahead $1⅞ to $84⅜ and Squibb advanced $2⅞ to $126⅞.

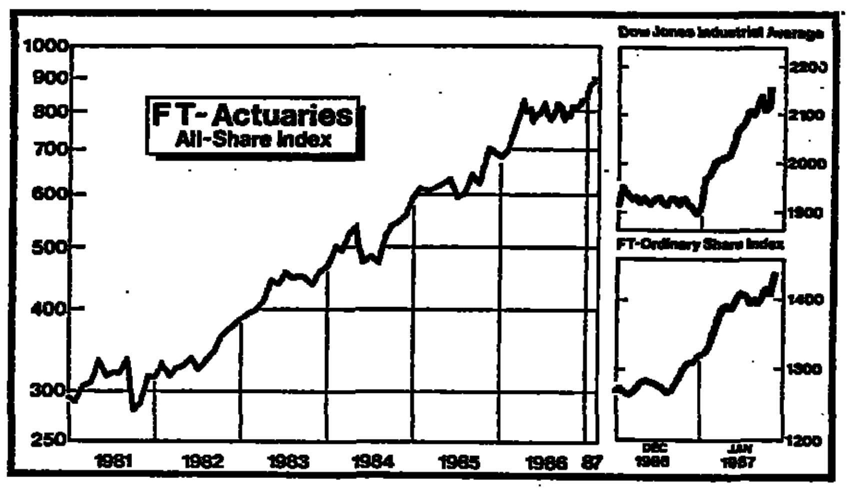
Several food and household products groups were higher after reporting improved results. Quaker Oats added $1¼ to $47, Procter and Gamble was up $⅝ to $87¼ and Borden rose $3 to $54⅞.

Mobil Oil reported a steeper drop in fourth quarter profits than the oil industry generally. Its shares rose $⅞ to $43¾, Exxon added $1⅛ to $81¾. Amoco was off $1⅛ to $72¾, Chevron rose $1¼ to $51⅞ and Texaco was up $⅝ to $38¾.

In the credit markets, trading was quiet while investors waited for the release today of the details of the Treasury's next refunding which could tap the markets for up to $30bn.

The price of the 7.50 per cent Treasury long bond was down ⅛₂ of a point by the end of trading at 100⅜₂, yielding 7.48 per cent. The discount rate of three-month Treasury bills rose five basis points to 5.47 per cent, by three basis points on six-month bills to 5.44 per cent and by two basis points on year bills to 5.48 per cent.

KEY MARKET MONITORS



STOCK MARKET INDICES			
NEW YORK	Jan 27	Previous	Year ago
DJ Industrials	2,150.45	2,111.22	1,537.61
DJ Transport	884.93	865.19	746.44
DJ Utilities	225.93	223.74	172.55
S&P Composite	273.75	269.92	207.39
LONDON			
FT Ord	1,441.6	1,411.2	1,155.4
FT-SE 100	1,814.4	1,781.8	1,405.0
FT-A All-share	904.21	889.97	689.40
FT-A 500	994.49	977.26	757.62
FT Gold mines	322.9	318.5	347.7
FT-A Long gilt	10.01	9.99	10.77
TOKYO			
Nikkei	19,686.83	19,554.22	12,983.4
Tokyo SE	1,702.96	1,679.69	1,041.30
AUSTRALIA			
All Ord.	1,533.3	(c)	(c)
Metals & Mins.	772.0	(c)	(c)
AUSTRIA			
Credit Aktien	214.62	216.65	243.860
BELGIUM			
Belgian SE	4,040.69	4,028.25	2,809.86
CANADA			
Toronto			
Metals & Minls	2,217.3	2,191.2	2,219.0
Composite	3,339.9	3,296.8	2,827.9
Montreal			
Portfolio	1,702.10	1,676.51	1,138.47
DENMARK			
SE	—	216.28	220.63
FRANCE			
CAC Gen	424.90	424.90	282.8
Ind. Tendance	108.40	108.00	168.3
WEST GERMANY			
FAZ-Aktien	609.77	616.10	685.01
Commerzbank	1,839.60	1,862.00	2,068.6
HONG KONG			
Hang Seng	2,524.01	2,484.35	1,744.11
ITALY			
Banca Comm.	706.52	709.60	459.86
NETHERLANDS			
ANP-CBS Gen	263.10	264.90	100.5
ANP-CBS Ind	249.30	—	248.5
NORWAY			
Oslo SE	367.66	367.93	380.93
SINGAPORE			
Straits Times	936.04	935.77	601.13
SOUTH AFRICA	Jan 27	Prev	Year Ago
JSE Golds	—	2,053.0	1,307.9
JSE Industrials	—	1,491.0	1,071.8
SPAIN			
Madrid SE	244.41	243.47	108.76
SWEDEN			
J & P	2,152.47	2,194.26	1,794.23
SWITZERLAND			
Swiss Bank Ind	580.60	582.80	585.5
WORLD	Jan 26	Previous	Year ago
MS Capital Int'l	392.9	393.4	256.2

COMMODITIES		
(London)	Jan 27	Prev
Silver (spot fixing)	368.10p	363.05p
Copper (cash)	£884.50	£878.00
Coffee (March)	£1,597.50	£1,617.50
Oil (Brent Blend)	$18.25	$18.30

GOLD (per ounce)		
	Jan 27	Prev
London	$411.25	$407.00
Zürich	$411.55	$407.25
Paris (fixing)	$410.71	$405.04
Luxembourg	$408.80	$405.25
New York (Feb)	$410.2	$412.2

CURRENCIES	US DOLLAR		STERLING	
(London)	Jan 27	Previous	Jan 27	Previous
$	–	–	1.5365	1.5280
DM	1.8055	1.82230	2.7725	2.785
Yen	151.65	152.65	232.75	233.25
FFr	6.0325	6.0823	9.2625	9.295
SFr	1.5155	1.5315	2.3275	2.34
Guilder	2.0360	2.0545	3.1275	3.14
Lira	1,283	1,296	1,970.00	1,980.25
BFr	37.60	37.80	57.75	57.75
C$	1.3435	1.3520	2.0600	2.0655

INTEREST RATES	Jan 27	Prev
Euro-currencies (3-month offered rate)		
£	11⅛	11⅟₁₆
SFr	3⅝	3⅝
DM	4⅜	4⅜
FFr	9⅛	9
FT London Interbank fixing (offered rate)		
3-month US$	6¼	6¼
6-month US$	6¼	6⅟₁₆
US Fed Funds	6⅟₁₆*	5⅞
US 3-month CDs	5.85*	6.075
US 3-month T-bills	5.465*	5.65

US BONDS

Treasury		January 27* Price	Yield	Prev Price	Yield
6⅝	1989	99²³⁄₃₂	6.243	99²⁶⁄₃₂	6.317
7¼	1993	100⅛₂	6.96	100²⁵⁄₃₂	6.885
7⅜	1996	100¹⁵⁄₃₂	7.16	101¹⁷⁄₃₂	7.027
7¼	2016	100	7.497	101¹⁴⁄₃₂	7.367

Source: Harris Trust Savings Bank

Treasury Index Maturity (years)	Return index	Jan 27 Day's change	Yield	Day's change
1–30	161.91	+0.08	6.89	+0.00
1–10	153.93	+0.05	6.59	+0.00
1– 3	143.45	+0.01	6.26	+0.00
3– 5	156.91	+0.06	6.66	−0.01
15–30	190.40	+0.19	7.88	−0.01

Source: Merrill Lynch

Corporate	January 27* Price	Yield	Prev Price	Yield
AT & T				
3⅞ July 1990	92.217	6.45	92.217	6.45
SCBT South Central				
10⅞ Jan 1993	105.875	9.584	106	9.558
Phibro-Sal				
8 April 1996	100.75	7.891	100	8.0
TRW				
8⅜ March 1996	104.50	8.040	104.5	8.04
Arco				
9⅞ March 2016	112.75	8.666	112.255	8.709
General Motors				
8⅛ April 2016	$94.75	8.618	94.375	8.65
Citicorp				
9⅜ March 2016	$103.25	9.055	103.5	9.031

Source: Salomon Brothers

FINANCIAL FUTURES				
CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT)				
8% 32nds of 100%				
March	99-20	99-25	99-13	99-15
US Treasury Bills (IMM)				
$1m points of 100%				
March	94.66	94.69	94.64	94.66
Certificates of Deposit (IMM)				
$1m points of 100%				
March	n/a	n/a	n/a	94.30
LONDON				
Three-month Eurodollar				
$1m points of 100%				
March	93.89	93.91	93.88	93.91
20-year Notional Gilt				
£50,000 32nds of 100%				
March	114-21	115-06	114-12	114-24

* Latest available figures

EUROPE

Worries over dollar cast a shadow

A MIXED trend emerged on European bourses yesterday with the weak dollar still proving a partial dampener and the main interest coming from a flood of corporate developments.

Frankfurt pursued its downward trend amid continued worries over the US currency and its likely effect on exports. The impact of last Sunday's elections appeared to have faded.

The Commerzbank index fell 23.3 to 1,839.6 for a slump this week of 72.8. However, turnover was modest as overseas investors stayed away.

Among leading losers, Daimler dropped DM 30 to DM 1,040, a 12-month low, after a DM 32 fall on Monday. Other stocks in the dollar-sensitive car sector were mixed, with VW off DM 3 to DM 373.50, also a year's low, and BMW adding DM 5 to DM 491.

In the chemical sector, BASF was down DM 3.60 to DM 249 and Hoechst DM 3 to DM 242. The two are among several European chemical companies being investigated by the European Commission for possible price-fixing.

Bonds fell in quiet trading under continuing pressure from the uncertain dollar outlook. Long-dated issues lost about 30 basis points amid speculation about a possible G-5 meeting.

The Bundesbank bought DM 26.5m worth of paper after selling DM 15.1m on Monday.

Amsterdam eased in thin trading despite Wall Street's early upturn as concern persisted over the dollar and the prospects for leading companies' profits this year. The ANP-CBS General index was down 1.8 to 263.1.

Among internationals, overseas interest focused on Royal Dutch which eased 10 cents to Fl 217.40 after strong gains on Monday.

Zurich was also easier in dull trading under the shadow of dollar worries and Frankfurt's weak performance. Foreign investors sold but some local buying provided the market with support.

Jacobs Suchard lost SFr 25 to SFr 8,150 after the company dropped its takeover bid for fellow foods group Hero. The latter's bearer shares, suspended briefly at SFr 3,600, closed SFr 50 higher at SFr 3,650.

Brussels attracted foreign buying which helped to push share prices generally higher. Blue chips were the main target of bargain-hunting after Monday's falls, while local worries over the country's linguistic dispute faded into the background.

Chemicals group Solvay, which saw strong group profits in 1986, advanced BFr 190 to BFr 8,840.

Paris also firmed in fairly active trading following Monday's profit-taking. The mood was helped by talk of a possible G-5 meeting and by the Bundesbank's purchase of dollars yesterday morning.

Dollar-oriented issues did well, including Moët-Hennessy, which jumped FFr 130 to FFr 2,330.

Madrid edged up to a third consecutive record in moderately active trading, with the general index up 0.94 to 244.41 and leading share Telefonica gaining 7 percentage points to 182.7 per cent of nominal market value.

Milan closed mixed in calm trading which focused on industrials, insurers, and financials, Montedison dropped L40 to L2,890 and Fiat fell L230 to L13,670 in advance of increased 1986 profits.

Stockholm lost ground after currency figures showed a net outflow of SKr 610m last week. **Oslo** also fell, with Norsk Data NKr 3 off at NKr 231 amid news of its launch of a more powerful computer series.

CANADA

FOLLOWING a cue from Wall Street's early rise, Toronto stocks staged a strong rebound from their recent decline.

Northern Telecom characterised the resurgence by gaining C$1⅛ to C$51¼ after Monday's slide. Gulf Canada also recouped its losses by C$1 to C$23¼.

Montreal also gained ground across the board.

TOKYO

Financials lead race to fourth high

FINANCIAL STOCKS raced ahead on a broad front in Tokyo yesterday, pushing share prices to an all-time high for the fourth session in a row, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average advanced 132.11 to 19,686.83. But trading shrank from Monday's 1.08bn shares to 877m as securities house dealers were somewhat inactive on the last trading day for delivery this month.

Market analysts also explained that investors' buying shifted from low-priced issues such as steels, traded in large volume, to high-priced financial stocks. Advances outpaced losses by 456 to 412, with 143 issues unchanged.

Investors remained bullish about the market trend due to the continued strength on Wall Street and expectations of official discount rate cuts by Japan and the US. They also apparently believe that leading securities houses will try to keep the market afloat until February 9, when the stock of Nippon Telegraph & Telephone Corp. (NTT) will be listed on the Tokyo Stock Exchange.

However, the rising streak took the market indicator to only about 300 points short of the so far unscaled 20,000 level and some investors began to see the market as precariously high. In the circumstances, institutional investors, securities house dealers and speculators accelerated their buying and selling.

Nippon Steel topped the active list for the 10th straight session, with 146.82m shares changing hands. Buying slowed down because the stock has advanced rapidly from Y169 late last year on active dealing by institutional investors. The issue closed Y1 lower at Y246. One leading brokerage house official said non-residents who were buying the stock heavily at the beginning of the year had turned to selling.

Other large-capital steels and shipbuildings fell, with Ishikawajima-Harima Heavy Industries losing Y16 to Y479 and Kawasaki Steel shedding Y4 to Y217. Mitsubishi Heavy Industries, which registered a sharp gain on Monday, dropped Y7 to Y539 on the second heaviest trading of 69.01m shares. Sumitomo Chemical and Mitsui Toatsu Chemicals were Y7 and Y2 down respectively at Y522 and Y438.

Investment trusts and other institutional investors sought non-life insurances, trust banks and city banks. Tokio Marine & Fire Insurance, with 11.99m shares traded, rose Y40 to Y2,100, while Sumitomo Bank and Sumitomo Trust & Banking spurted Y180 to Y3,190 and Y250 to Y3,900 respectively.

Major regional banks were also bought on a report that they would shortly raise funds through floating convertible bonds. Yokohama Bank shot up Y200 to finish at Y1,550 and Chiba Bank Y140 to Y1,200.

The market value of all stocks listed on the first section of the Tokyo Stock Exchange stood at Y303,160bn ($1,980bn) at yesterday's close, topping the Y300,000bn level for the first time, writes Yoko Shibata in Tokyo.

The stock value of the 1,075 companies listed on this major section stood at Y277,000bn at the end of last year and has increased some Y26,000bn in only three weeks because of sharp advances in share prices, a TSE official said.

It is only about 10 months since the figure hit the Y200,000bn level in March last year. The rapid growth reflects a 50 per cent rise in the exchange's stock average since the beginning of last year and the recent rise of financial stocks, which accounted for about 30 per cent of the total market value.

Bond prices showed violent fluctuations. The yield on the 5.1 per cent government bond due in June 1996 increased from 4.910 per cent on Monday to 4.990 per cent yesterday morning but fell to 4.960 per cent later.

The rise in the yield mirrored a steep price drop in over-the-counter trading on Monday after the close of block trading on the Tokyo Stock Exchange.

SOUTH AFRICA

GOLD continued their drift downwards despite the rise in the bullion price as the stronger financial rand discouraged investors.

Leading gold stock Vaal Reefs lost R6 at R400, while Anglo American Gold fell R2 to R358. Exceptions to the trend, however, were Consolidated Goldfields, up 50 cents to R65 and Dreifontein, adding R1.75 to R76.65.

Diamond and platinum shares followed the decline, with De Beers dropping 40 cents to R40.35 and Impala falling R1 to R53.

LONDON

STRONG US interest in international favourites, coupled with a positive response to Wall Street's early gains, swung the London stock market to one of the highest daily rises on record.

The FT Ordinary index closed 30.4 higher at a record 1,441.6, comfortably beating the previous peak of 1,425.9 reached last April. The FT-SE 100 index also reached a new high, up 32.6 at 1,814.4.

US buyers homed in on oils, notably British Petroleum, which closed 14p up at 793p. Other targets were Jaguar, which rose 17p to 588p, and Racal, up 19p to 218p on trade of 28m shares.

Gilts, however, remained cautious prior to today's trade figures, which are widely predicted to show a further deficit.

Chief price changes, Page 35; Details, Page 34; Share information service, Pages 32–33.

HONG KONG

A SHARP morning rally was sustained later to the market's continued caution over political uncertainties in China and bolster Hong Kong prices. The Hang Seng index rose 36.66 to 2,524.1.

Properties and utilities led the advance, with Cheung Kong adding HK$1 to HK$38.25, Hong Kong Land rising 15 cents to HK$7.40, China Gas putting on 90 cents to HK$22 and Hong Kong Electric edging up 40 cents to HK$12.50.

Trading in Cathay Pacific Airways and its majority owner Swire Pacific remained suspended prior to the announcement that China International and Investment Corporation is to acquire a 12.5 per cent stake in Cathay.

SINGAPORE

SELLING pressure on selected blue chip and bank stocks near the close was generally absorbed by Singapore to leave prices mixed. The Straits Times industrial index rose 0.27 to 936.04.

Institutions stayed shy of taking positions before tomorrow's close for the Chinese New Year. Volume rose, however, to 20.2m shares from Monday's 12.6m.

AUSTRALIA

SUBDUED TRADING left Sydney share prices lower as investors awaited tomorrow's consumer price index figures. The All Ordinaries index dropped by 8 to 2,406.8, while the gold index also slipped 5.4 to 1,990.9, despite the large overnight rise in the bullion price.